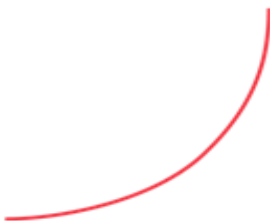




# 20 23

— Financial Statements and Reports —  
at 31 December 2023

Gruppo  Banco Desio



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# Consolidated Financial Statements of the Banco Desio Group at 31 December 2023

## Financial Statements of Banco di Desio e della Brianza S.p.A. at 31 December 2023

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

Registered office: Via Rovagnati, 1 20832 Desio (MB)

Tel. 0362 613.1

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[www.bancodesio.it](http://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

## Officers

### Board of Directors

Chairman

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

Chairman

Emiliano Barcaroli

Statutory Auditors

Rodolfo Anghileri  
Stefania Chiaruttini  
Stefano Antonini  
Silvia Re  
Erminio Beretta

Alternate Auditors

### General Management

Chief Executive Officer and General Manager

Alessandro Maria Decio

### Financial Reporting Manager as per Article 154-bis TUF

Financial Reporting Manager

Mauro Walter Colombo

### Independent Auditors

Independent Auditors

KPMG S.p.A.

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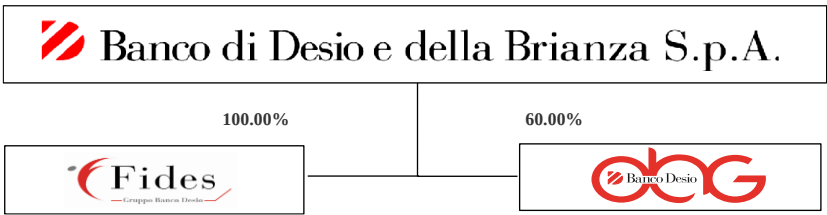
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## **Consolidated Report on Operations**

# The Banco Desio Group

The scope of consolidation of the Banco Desio Group at 31 December 2023 includes the following companies:



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



## 1 - Introduction

The figures and ratios presented in this Report on Operations, as well as comments on the composition of items and changes where applicable, refer to the Balance Sheet in the Financial Statements as well as the Reclassified Income Statement prepared from the 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 on 20 February 2023, including those arising from the Purchase Price Allocation (PPA) process definitively determined at the reporting date pursuant to IFRS 3 Business Combinations.

In defining the contents of the explanatory notes, account was also taken of the indications contained in the 8th update of 17 November 2022 of the Bank of Italy's Circular 262 "Banks' financial statements: formats and rules for preparation", as well as Consob Note of 27 October 2023 relating to the ESMA document "European common enforcement priorities for 2023 annual financial reports" of 25 October 2023, insofar as applicable.

## 2 - Alternative Performance Indicators (APIs)

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

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

These indicators are based on the European Securities and Markets Authority (ESMA) guidelines of 5 October 2015 (ESMA/2015/1415), incorporated in Consob Communication No. 0092543 of 3 December 2015. Adhering to the indications contained in the update of document "ESMA32\_51\_370 - Question and answer - ESMA Guidelines on Alternative Performance Measures (APMS)", published on 17 April 2020, no changes were made to the APIs and no new ad hoc indicators were introduced to separately highlight the effects resulting from ongoing war conflicts and the Covid-19 epidemic.

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

### Balance sheet values

| Amounts in Euro thousands                              | 31.12.2023 | 31.12.2022 | Changes    |        |
|--------------------------------------------------------|------------|------------|------------|--------|
|                                                        |            |            | abs.       | %      |
| Total assets                                           | 18,555,255 | 17,541,324 | 1,013,931  | 5.8%   |
| Financial assets                                       | 3,957,354  | 4,018,411  | -61,057    | -1.5%  |
| Cash and cash equivalents <sup>(1)</sup>               | 1,655,187  | 879,593    | 775,594    | 88.2%  |
| Loans with banks <sup>(2)</sup>                        | 343,818    | 260,345    | 83,473     | 32.1%  |
| Loans to customers <sup>(2)</sup>                      | 11,653,626 | 11,480,616 | 173,011    | 1.5%   |
| Tangible assets <sup>(3)</sup>                         | 230,994    | 220,934    | 10,060     | 4.6%   |
| Intangible assets                                      | 41,619     | 19,963     | 21,656     | 108.5% |
| Non-current assets and groups of assets held for sale  | 0          | 1          | -1         | n.s.   |
| Payables to banks                                      | 1,950,065  | 3,381,350  | -1,431,285 | -42.3% |
| Payables to customers <sup>(4) (5)</sup>               | 12,277,411 | 11,110,366 | 1,167,045  | 10.5%  |
| Securities issued                                      | 2,509,819  | 1,536,151  | 973,668    | 63.4%  |
| Equity (including Profit for the period)               | 1,354,015  | 1,122,454  | 231,561    | 20.6%  |
| Own Funds                                              | 1,366,391  | 1,132,852  | 233,539    | 20.6%  |
| Total indirect inflows                                 | 20,075,207 | 17,082,615 | 2,992,592  | 17.5%  |
| of which Indirect inflows from ordinary customers      | 12,683,669 | 10,135,327 | 2,548,342  | 25.1%  |
| of which Indirect inflows from institutional customers | 7,391,538  | 6,947,288  | 444,250    | 6.4%   |

<sup>(1)</sup> At 31 December 2023, Cash and cash equivalents included the current accounts, demand deposits and the amount on demand of Euro 1.5 billion 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).

<sup>(2)</sup> 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 and cash equivalents.

<sup>(3)</sup> the balance of the item at 31 December 2023 includes the right of use (RoU Asset) amounting to Euro 57.3 million in respect of operating leases falling under the scope of IFRS16 Leases, which came into effect as of 1 January 2019.

<sup>(4)</sup> 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.

<sup>(5)</sup> including inflows repurchase agreements with institutional customers in the amount of Euro 608 million (Euro 503 million at 31 December 2022).

## Income statement values <sup>(6)</sup>

|                                       | 31.12.2023 | 31.12.2022 | Changes |        |
|---------------------------------------|------------|------------|---------|--------|
| Amounts in Euro thousands             |            |            | abs.    | %      |
| Operating income                      | 581,073    | 486,100    | 94,973  | 19.5%  |
| of which Net interest income          | 358,523    | 273,855    | 84,668  | 30.9%  |
| Operating expenses                    | 320,840    | 273,016    | 47,824  | 17.5%  |
| Result from operations                | 260,233    | 213,084    | 47,149  | 22.1%  |
| Charges related to the banking system | 13,945     | 14,481     | -536    | -3.7%  |
| Current result after taxes            | 111,266    | 90,575     | 20,691  | 22.8%  |
| Non-recurring result after taxes      | 129,095    | -9,112     | 138,207 | n.s.   |
| Profit (loss) for the period          | 240,361    | 81,463     | 158,898 | 195.1% |

<sup>(6)</sup> from Reclassified Income Statement.

## Equity, economic and risk ratios

|                                                                                      | 31.12.2023 | 31.12.2022 | Changes |
|--------------------------------------------------------------------------------------|------------|------------|---------|
|                                                                                      |            |            | abs.    |
| Equity/Total assets                                                                  | 7.3%       | 6.4%       | 0.9%    |
| Equity/Loans to customers                                                            | 11.6%      | 9.8%       | 1.8%    |
| Equity/Payables to customers                                                         | 11.0%      | 10.1%      | 0.9%    |
| Equity/Securities issued                                                             | 53.9%      | 73.1%      | -19.2%  |
| Common Equity Tier1 (CET1)/Risk-weighted assets <sup>(7) (8)</sup>                   | 17.2%      | 14.8%      | 2.4%    |
| Total Tier 1 capital (T1)/Risk-weighted assets <sup>(7) (8)</sup>                    | 17.2%      | 14.8%      | 2.4%    |
| Total Own funds/Risk-weighted assets (Total capital ratio) <sup>(7) (8)</sup>        | 18.0%      | 14.8%      | 3.2%    |
| Financial assets/Total assets                                                        | 21.3%      | 22.9%      | -1.6%   |
| Loans with banks/Total assets                                                        | 1.9%       | 1.5%       | 0.4%    |
| Loans to customers/Total assets                                                      | 62.8%      | 65.4%      | -2.6%   |
| Loans to customers/Direct inflows from customers                                     | 78.8%      | 90.8%      | -12.0%  |
| Payables to banks/Total assets                                                       | 10.5%      | 19.3%      | -8.8%   |
| Payables to customers/Total assets                                                   | 66.2%      | 63.3%      | 2.9%    |
| Securities issued/Total assets                                                       | 13.5%      | 8.8%       | 4.7%    |
| Direct inflows from customers/Total assets                                           | 79.7%      | 72.1%      | 7.6%    |
|                                                                                      | 31.12.2023 | 31.12.2022 | Changes |
|                                                                                      |            |            | abs.    |
| Operating expenses/Operating income (Cost/Income ratio)                              | 55.2%      | 56.2%      | -1.0%   |
| (Operating expenses + Banking-related expenses)/Operating income (Cost/Income ratio) | 57.6%      | 59.1%      | -1.5%   |
| Net interest income/Operating income                                                 | 61.7%      | 56.3%      | 5.4%    |
| Result from operations/Operating income                                              | 44.8%      | 43.8%      | 1.0%    |
| Current result after taxes/Equity <sup>(9)</sup>                                     | 10.0%      | 8.7%       | 1.3%    |
| Profit for the year/Equity <sup>(9)</sup> (R.O.E.)                                   | 21.6%      | 7.8%       | 13.8%   |
| Current result before taxes/Total assets (R.O.A.)                                    | 0.9%       | 0.8%       | 0.1%    |
|                                                                                      | 31.12.2023 | 31.12.2022 | Changes |
|                                                                                      |            |            | abs.    |
| Net bad loans/Loans to customers                                                     | 0.4%       | 0.5%       | -0.1%   |
| Net non-performing loans/Loans to customers                                          | 1.7%       | 1.7%       | 0.0%    |
| % Coverage of bad loans                                                              | 69.6%      | 67.3%      | 2.3%    |
| % Coverage of bad loans before write-offs                                            | 69.9%      | 67.6%      | 2.3%    |
| % Total coverage of non-performing loans                                             | 48.8%      | 49.6%      | -0.8%   |
| % Coverage of non-performing loans before write-offs                                 | 49.0%      | 49.9%      | -0.9%   |
| % Coverage of performing loans                                                       | 0.97%      | 0.88%      | 0.09%   |

<sup>(7)</sup> Consolidated equity ratios calculated for Banco Desio. The ratios referred to the prudential supervisory scope of Brianza Unione at 31 December 2023 are: Common Equity Tier1 12.3%; Tier 1 13.2%; Total Capital Ratio 15.0%.

<sup>(8)</sup> Equity ratios at 31.12.2023 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 17.0%; Tier 1 17.0%; Total capital ratio 17.7%.

<sup>(9)</sup> net of the result for the period.

## Structure and productivity data

|                                                            | 31.12.2023 | 31.12.2022 | Changes |       |
|------------------------------------------------------------|------------|------------|---------|-------|
|                                                            |            |            | abs.    | %     |
| Number of employees                                        | 2,391      | 2,115      | 276     | 13.0% |
| Number of branches                                         | 280        | 232        | 48      | 20.7% |
| <i>Amounts in Euro thousands</i>                           |            |            |         |       |
| Loans to customers per employee <sup>(10)</sup>            | 5,172      | 5,395      | -223    | -4.1% |
| Direct inflows from customers per employee <sup>(10)</sup> | 6,563      | 5,943      | 620     | 10.4% |
|                                                            | 31.12.2023 | 31.12.2022 | Changes |       |
|                                                            |            |            | abs.    | %     |
| Operating income per employee <sup>(10)</sup>              | 258        | 228        | 30      | 13.2% |
| Result from operations per employee <sup>(10)</sup>        | 116        | 100        | 16      | 16.0% |

<sup>(10)</sup> based on the number of employees as the arithmetic mean between the period-end figure and the previous year-end figure.

## 3 - The reference scenario

### 3.1 - The macroeconomic framework

#### *International Scenario*

The year 2023 ended with the start of the process of gradual normalisation of the global economy after the negative effects of the last few years resulting from the Covid - 19 crisis that started in 2020, the Russian invasion of Ukraine during 2022 and further geopolitical tensions due to the Israeli-Palestinian conflict. However, the shift from extremely expansive monetary policies supporting overall demand for goods and services to a phase of containing inflation through a gradual increase in interest rates by central banks is causing a slowdown in economic growth.

In the third quarter of 2023, world trade fell by 0.4% compared to the previous period, adding to the slightly larger declines recorded in the first two quarters of the year (-0.8% and -0.5%, respectively). The expected change in trade for the current year is thus -1.9%, down sharply from +3.4% in 2022. Signs of deceleration can also be observed in the main Economic Areas: in the United States, where consumption has declined due to the depletion of savings accumulated during the pandemic period; the Euro Area has been in a state of stagnation for the past year, with the German economy facing continuous corrections. The difficulties in China add further reasons for caution, especially because of the contagion effect that the real estate crisis could generate on other economies. Added to these elements is the uncertainty related to the general elections in the US, Europe, Taiwan and India, which will further influence the decisions of economic operators.

In terms of monetary policy, inflation in Europe fell progressively in the last months of the year, primarily due to favourable effects on the energy component. The decline in inflation affected all the major economies, albeit at different paces: more cautious in the US, stable around zero in China, continuing and gradually decreasing in the major emerging countries. With inflation expected to fall, the Central Banks' outlook began to change from the fourth quarter of 2023 onwards, with a rate cut expected from mid-2024 onwards. Both the Federal Reserve (Fed) and the European Central Bank kept their monetary policy rates unchanged, consistent with the ongoing disinflationary process, without, however, ruling out the risk of a resurgence and reiterating their close surveillance of price dynamics. Inflation therefore remains the crucial junction for the growth prospects of the world's major economic areas.

In the fourth quarter of 2023, in parallel with the declining dynamics of consumer prices, the financial markets saw a decidedly positive performance both in the bond segment, with a significant reduction in spreads, and in the equity segment, although there was no lack of negative shocks. Indeed, the last quarter of the year began with the new crisis in the Middle East brought about by the 7 October attack by the Hamas paramilitary group against Israel, which reopened the conflict in the Gaza Strip. Riskier securities were thus penalised, at least initially, by increased risk aversion, in a context in which central banks still seemed inclined to keep rates high for a prolonged period in order to avoid inflationary upsurges. However, the negative phase in the markets lasted only a few weeks and stock indices rose again, driven by the possibility that the Central Banks, given the significant reduction in inflation, might anticipate the previously planned rate cut in the second half of 2024.

In this macroeconomic context, the Italian economy is also stalling. The high level of accumulated savings and good employment performance cushion the negative impacts of inflation and high interest rates for the time being, as well as those of the cooling of the construction sector and delays in the implementation of the PNRR. In the context of these restrictive impulses, the current stagnation of the Italian economy can be considered a relatively positive result. Looking ahead, available indicators point to a weakness in consumption, squeezed by inflation, and investment, held back by uncertainty and high financing costs. The support for low and medium incomes for next year provided by the decontribution and Irpef reform



measures contained in the manoeuvre is likely to be limited, while the revision of the PNRR agreed with the European Commission does not envisage substantial changes in terms of expenditure and support for the economy compared to the previous version. After an expected GDP growth of 0.6% in 2023, the most recent projections for 2024 maintain the positive dynamic, however with a more moderate growth of around 0.4%.

#### *United States*

In the third quarter of 2023, there was a noticeable acceleration in GDP, registering an increase of 1.3% compared to the previous quarter. This increase was evident in all expenditure categories, particularly in household consumption, which increased by 0.9% compared to the previous quarter, and in housing investment, which grew by 1.5% after nine quarters of decline. However, on the housing market front, while there has been an increase in permits for new homes, suggesting a potential increase in supply, the high level of mortgage rates has hindered both the purchase and sale of homes, not allowing the market to take off. Meanwhile, a gradual absorption of excess demand in the labour market continued to be observed: in October, the number of vacancies was 2.7 million higher than the number of unemployed. In November, the loss in household purchasing power compared to the pre-pandemic period was fully recovered, with consumption increasing by 18.8% compared to December 2019, while hourly wages grew by 22.2% over the same period. However, the general price increase negatively affected lower income households. In particular, energy increased by 34.6%, although the US was less affected than Europe by the post-Russian invasion energy crisis in Ukraine. In addition, food and beverages saw an increase of 23.8%, representing crucial consumer goods for lower income households. There is therefore the possibility of a slowdown in the demand for goods and services for these households, due to price increases that could affect their purchasing power.

#### *Japan*

In the third quarter, Japan's GDP fell by 0.5% compared to the previous quarter, which turned out to be worse than expected. This decline was mainly caused by domestic demand: investments decreased, both in machinery and plant (-0.6%) and in construction (-0.1%). Although consumption showed a slight improvement compared to the second quarter, it still declined slightly, mainly due to a stronger-than-expected inflationary effect. Despite an increase in household confidence, it remains at levels considered low. SMEs continue to deteriorate overall: although services are maintaining an expansionary trend, their growth is slowing down after the post-Covid period. The manufacturing sector remains in negative territory due to weak domestic and foreign demand, and inflation, which reached 3.3% in October, continues to put pressure on consumption. Faced with this situation, the government planned a new economic stimulus, corresponding to 3% of GDP, mainly focused on household protection. This plan mainly includes the reduction of income tax and the introduction of vouchers to stimulate consumption. This plan is expected to enter into force in the second half of 2024, but will put more pressure on public accounts as it will be deficit-financed. The country's monetary policy remains extremely expansionary, despite some slight recent adjustments that have allowed long-term interest rates to rise. These actions seem to be more geared towards defending the yen, which has depreciated by up to 150 yen per dollar due to differences in international interest rates, rather than indicating a belief in the stability of the current level of inflation, which finally seems to be in line with the Central Bank's targets.

#### *Emerging Economies*

In the third quarter, China surprised positively with an increase of 1.3% over the previous quarter and 4% year-on-year, despite signs of weakness in the summer economic data. Industrial production maintained stable growth at around 4%, below pre-Covid levels. Investment in urban areas slowed down, increasing just over 3% year-on-year, while retail sales showed a slight increase over 5% in September. In November, PMI indicators showed modest improvements: the manufacturing PMI rose just above 50, while the services

PMI resumed growth after several months of decline. The crisis in the real estate sector caused a sharp drop in housing prices, affecting the entire production chain related to it. Economic uncertainty and the effects on employment have led consumers to adopt more cautious attitudes, increasing savings and depositing more with banking institutions. Producer prices are mainly supported by agricultural prices, but show very low inflation, unable to trigger significant increases in consumer prices. Despite a steady increase in real exports (5.6% year-on-year in the three months to October), foreign exchange earnings only grew in the last month, after a negative half-year. Currently, the growth support measures taken are mainly based on traditional methods such as injecting liquidity and encouraging investment. However, these are directed at highly leveraged entities. Future prospects indicate more moderate growth than before the pandemic, with risks more downward than upward.

In India, the trend change in GDP in the third quarter of 2023 was +7.6%, generated by a strong public investment component that grew by 30%, but also by proven investments focused mainly on digitalisation and automation. Household consumption remained rather subdued (+0.4%) due to weak demand in rural areas. Trade was very dynamic on both the import and export side (+13.7% and +10.9% respectively). Industrial production in September was broadly flat in terms of trend, and the PMI indicators declined while remaining well within the expansion zone: 2 points were lost for manufacturing activity (from 57.5 to 55.5) and 2.6 points for services (from 61 to 58.6) in both cases due to prospective weakness in demand and expectations of price increases linked to oil and food trends. Consumer inflation reached very low levels while food prices remain high with stable inflation, for which the risk of further increases is linked to the effects of the El Niño that affected cereal crops. As 2024 will be an election year, a continuation of spending and investment policies, which together with reforms that are focusing on demographics, infrastructure and education, is likely to further increase India's attractiveness in the foreign investment landscape in a phase of global geopolitics that sees China distancing itself from its Western partners, leaving room for India's ambitions to serve as a new global industrial hub.

#### *Europe*

In the third quarter of 2023, GDP in the Euro Area decreased by 0.1%, summarising a positive contribution from domestic demand (+0.2%) and a negative contribution from changes in inventories (-0.3%). The scenario was characterised by inflation gradually returning to values closer to the Central Banks' target and the absence of tension in international energy prices, even after the outbreak of the conflict between Israel and Hamas. On the supply side, industry experienced a downturn in both manufacturing and construction. The latter still remains the only sector, apart from agriculture, that has not yet reached the values recorded before the pandemic (-2% and -4% respectively). The climate of business confidence in the Euro Area interrupted its long negative trend and in November, was in line with the average of the previous three months, as was consumer confidence, which in November, experienced a slight improvement in the average of the main European countries, interrupting the new downturn that had been underway for several months. The information for companies projects a stable condition in the coming months: the industrial production dissemination index, which measures the percentage of sectors that are growing compared to the previous twelve months, shows that in October, the trend in European countries is broadly balanced between sectors that are improving and those that are not. In November, production expectations for the manufacturing sector in the main European countries were stationary, and order log information also interrupted a widespread downward trend and stabilised.

#### *Italy*

In the third quarter of 2023, Italy's gross domestic product rose by 0.1% year-on-year (-0.4% in the previous quarter) and was also positive in cyclical terms (+0.1%). The change in the economy is the synthesis of growth in private consumption (+0.4%) and net foreign demand (+1.0%) mitigated by the lack of growth in investment and public spending as well as the decline in the change in inventories (-1.3%). Retail sales in October 2023, although recovering monthly (+0.2%), decreased in terms of trend by -3.1%. In November,

confidence indices showed an improving trend, although still negative signs for both consumers (-18.2 formerly -19.5) and businesses (-8.6 formerly -8.5). The unemployment rate fell to 7.8% in October 2023 (7.9% twelve months earlier). The national consumer price index before tobacco fell to 0.8% in November 2023, while the core component stood at 3.7%.

## 3.2 - The capital market and the banking system in Italy

### *Financial and money markets*

At its meeting on 26 October 2023, the Governing Council of the European Central Bank decided to leave the key interest rates for monetary policy unchanged: the main refinancing rate remains at 4.50%, the marginal lending rate at 4.75% and the deposit rate at 4.00%.

As regards instead the Pandemic Emergency Purchase Programme (PEPP), the Governing Council intends to reinvest the principal repaid on maturing securities under the PEPP at least until the end of 2024. The Governing Council will continue to reinvest the principal repaid on maturing securities in the PEPP portfolio in a flexible manner, in order to counter the risks to the monetary policy transmission mechanism attributable to the pandemic. Finally, against the background of the repayments of the amounts received by banks in OMRLT-III, the Governing Council will regularly review how the targeted operations and the repayments in place contribute to the monetary policy stance.

At its meeting in early November 2023, the Federal Reserve again decided not to raise interest rates any further, confirming the reference rate in a range between 5.25% and 5.50%. However, as confirmed by the central bank itself, the monetary tightening is not over. The Fed stated that it will continue to evaluate more information to calibrate monetary policy.

In the first ten days of December, the 3-month Euribor fell slightly on a monthly basis (+3.95% formerly 3.96% in November 2023); the 10-year IRS rate, on the other hand, was 2.75% (formerly 3.10% the previous month). On the bond markets, 10-year benchmark rates showed values significantly down in the USA (4.51% formerly 4.79%) and in the Euro Area; in detail, in Germany the benchmark rate settled at 2.58% (formerly 2.81%), in Italy it was 4.25% (formerly 4.70%).

International share prices were on a monthly upward trend. In detail, the Dow Jones Euro Stoxx rose 1.8% month-on-month (+5.8% y/y), the Standard & Poor's 500 rose 4.6% (+14% y/y), the Nikkei 225 rose 5.0% (+18% y/y). The main European stock exchange indices also showed positive monthly performances; the FTSE Mib was up 4.5% (-11.5% y/y), in France the Cac40 was up 8.7% (-6.5% y/y), in Germany the Dax30 was up 11% (+20.4% y/y). With reference to the main banking indices, the indicators showed upward monthly trends: the Italian FTSE Banks rose by 8.2% month-on-month (+52% y/y), the Dow Jones Euro Stoxx Banks by 3.5% (+22.3% y/y) and the S&P 500 Banks rose by 6.6% month-on-month (-13% y/y).

### *Banking markets*

With reference to the banking market, at the end of 2023, the annual trend in inflows from resident customers was down (-2.0%). Within this, short-term deposits declined (-4.2%, formerly -0.5% at the end of 2022), while bonds increased (+17.8% formerly +0.1% at the end of 2022). The decline of volumes was accompanied by a significant increase in the cost of total remuneration (0.95%, formerly 0.45% at the end of 2022). On the lending front, the latest available data confirm the annual slowdown in the private sector (-3.6%, formerly +2.0% at the end of 2022) due to the construction dynamics linked to the residential mortgage market as well as the interventions on the tax bonuses decided upon by the Government; the sector was affected by loans to businesses (-5.5%, formerly +3.1% at the end of 2022) and to a lesser extent by those to families (-1.1%, formerly +4.0% at the end of 2022) partly offset by the growth in consumer credit (+4.0%). Demand for credit from businesses declined again, reflecting in particular the rise in interest rate

levels, falling requirements for fixed investment expenditure and increased recourse to self-financing. The demand for loans by households, on the other hand, decreased mainly due to lower residential demand. In December, lending rates to households and businesses increased (4.75% formerly 2.96% at the end of 2022). Within these, the rate on loans to households for house purchases stood at 4.48% (formerly 3.02% in December 2022), while loans to businesses stood at 5.55% (formerly 3.11% at the end of 2022).

## 4 - Territorial coverage and issues of corporate relevance

### 4.1 - Distribution channels

The Bank is present in 11 regions in Italy: Lombardy, Piedmont, Veneto, Emilia-Romagna, Liguria, Umbria (under the Banca Popolare di Spoleto brand), Lazio, Tuscany, Marche, Abruzzo and Sardinia. This distribution network is complemented by the network of agents and brokers, used by the subsidiary Fides, who operate throughout the country.

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. During the year 2023, Fides, in fact, opened 4 new sales outlets in the cities of Bologna, Catanzaro, Cosenza and Siracusa. Furthermore, during the year, the subsidiary increased and diversified its network, bringing the number of Credit Mediation Agreements to 11 and thus strengthening the multi-channel distribution logic.

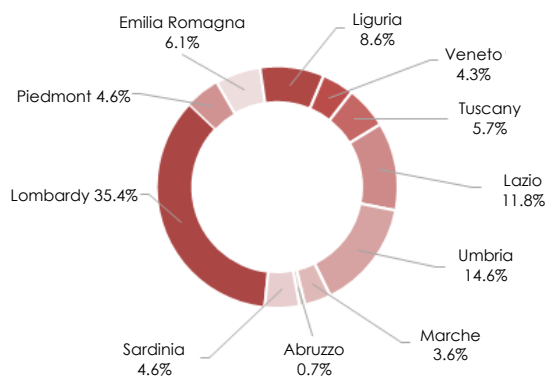
In the current context, which is constantly and rapidly changing, Italian banking customers are becoming increasingly digital. In particular, there has been double-digit growth in internet usage and self-channels in recent years. To respond to customer needs and in line with the latest market trends, the Bank is continuing with the creation of 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 Private Banking Area reporting directly to the Wealth Management Department.

The following graph provides details of the territorial presence of the Parent Company distribution network by region at the end of the 2023 financial year.

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



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 year 2023, 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 | 31.12.2023           |                                           |                                        |                        | 31.12.2022           |                                           |                                        |                        |
|---------------------|----------------------|-------------------------------------------|----------------------------------------|------------------------|----------------------|-------------------------------------------|----------------------------------------|------------------------|
|                     | Banco Desio Branches | of which branches with financial advisors | of which branches with private bankers | Fides Financial Stores | Banco Desio Branches | of which branches with financial advisors | of which branches with private bankers | Fides Financial Stores |
| Lombardy            | 99                   | 8                                         | 27                                     | 4                      | 99                   | 7                                         | 28                                     | 4                      |
| Piedmont            | 13                   | 5                                         | 4                                      | 5                      | 13                   | 3                                         | 3                                      | 5                      |
| Emilia Romagna      | 17                   | 4                                         | 5                                      | 4                      | 10                   | 3                                         | 3                                      | 3                      |
| Liguria             | 24                   | 2                                         | 4                                      | 0                      | 5                    | 1                                         | 0                                      | 0                      |
| Veneto              | 12                   | 3                                         | 1                                      | 1                      | 12                   | 3                                         | 1                                      | 1                      |
| Tuscany             | 16                   | 0                                         | 2                                      | 6                      | 12                   | 0                                         | 2                                      | 6                      |
| Lazio               | 33                   | 1                                         | 2                                      | 2                      | 28                   | 2                                         | 2                                      | 2                      |
| Umbria              | 41                   | 5                                         | 5                                      | 2                      | 41                   | 9                                         | 6                                      | 2                      |
| Marche              | 10                   | 6                                         | 2                                      | 4                      | 10                   | 6                                         | 2                                      | 4                      |
| Abruzzo             | 2                    | 1                                         | 0                                      | 3                      | 2                    | 1                                         | 0                                      | 3                      |
| Sardinia            | 13                   | 0                                         | 0                                      | 2                      | 0                    | 0                                         | 0                                      | 2                      |
| Calabria            | 0                    | 0                                         | 0                                      | 5                      | 0                    | 0                                         | 0                                      | 4                      |
| Campania            | 0                    | 0                                         | 0                                      | 3                      | 0                    | 0                                         | 0                                      | 3                      |
| Apulia              | 0                    | 0                                         | 0                                      | 1                      | 0                    | 0                                         | 0                                      | 1                      |
| Sicily              | 0                    | 0                                         | 0                                      | 4                      | 0                    | 0                                         | 0                                      | 4                      |
| <b>Total</b>        | <b>280</b>           | <b>35</b>                                 | <b>52</b>                              | <b>46</b>              | <b>232</b>           | <b>35</b>                                 | <b>47</b>                              | <b>44</b>              |

## 4.2 - Significant corporate events

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

The Extraordinary Shareholders' Meeting of 27 April of the Parent Company 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 Banco Desio, 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 of the Parent Company held on the same date approved the financial statements at 31 December 2022. The net profit for the financial year amounted to Euro 88,189,252.14. In this context, the Shareholders' Meeting approved the distribution to shareholders of a dividend, amounting to Euro 0.1969 for each of the 134,363,049 ordinary shares. In accordance with the Stock Exchange calendar, the dividend 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 of the Parent Company of 27 April proceeded, after determining in 11 the number of Directors for the 2023-2025 three-year period, to appoint, by list voting, the Board of

Directors and the Board of Statutory Auditors, in compliance with the gender balance pursuant to Law No. 160 of 27 December 2019.

The majority list was submitted by Brianza Unione di Luigi Gavazzi e Stefano Lado S.A.p.A., which expressed 50.41% of the share capital, while the minority list was submitted by Fondazione Cassa di Risparmio Terni e Narni, which expressed 4.46% of the share capital.

These bodies - after the resolutions of the Board at the end of the meeting - are composed as follows:

#### Directors

|                      |                             |
|----------------------|-----------------------------|
| Stefano LADO         | Chairman                    |
| 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    |

#### Statutory Auditors

|                      |                 |
|----------------------|-----------------|
| Emiliano BARCAROLI   | Chairman(I) *   |
| Rodolfo ANGHILERI    | Standing (I)    |
| Stefania CHIARUTTINI | Standing (I)    |
| Stefano ANTONINI     | Alternate (I) * |
| Silvia RE            | Alternate       |
| 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 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)     |

#### Risk Control 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 Related Party Transactions 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](http://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. 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.

This procedure ended on 28 September 2023 with the acknowledgement of the resignation of the first non-elected candidate of the minority list and the Board's decision to postpone the co-option of a Director, pending the next Meeting for the approval of the financial statements for the current year, when the same list will be able to reappoint one of its candidates in accordance with the applicable provisions.

#### **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") from 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 following section "Part G - Business combinations involving companies or business units" in the notes.



### *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 two 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 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 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 IINFO storage platform (at the address [www.linfo.it](http://www.linfo.it)), as well as on the Banco Desio website (section The Bank/Governance/Corporate documents/Related parties).

### *Issuance of Covered Bonds for institutional investors*

On 5 September 2023, Banco Desio successfully completed the placement of a Covered Bond issue under its Guaranteed Bank Bonds programme (OBG, rated AA by Fitch) for a total amount of Euro 400 million with a maturity of 4.5 years intended for institutional investors.

This is the first European Covered Bond (Premium) issue realised by Banco Desio in compliance with the new European directive implemented in Italy on 30 March 2023.

The issue book-building process attracted a particularly strong demand of over Euro 900 million from around 50 institutional investors globally, which allowed pricing to be reduced to +75bps over mid-swap with a 4% fixed coupon paid annually.

The transaction allows the completion of the 2023 Banco Desio Funding Plan by expanding access to the wholesale funding market in several jurisdictions.

For further information on the transaction, please refer to the appropriate press release published on the website [www.bancodesio.it](http://www.bancodesio.it).

### *MREL Decision*

On 18 September 2023, Banco Desio received notification from the Bank of Italy of its decision on the Minimum Requirement for own funds and Eligible Liabilities (MREL).

The Banco Desio Group, on a consolidated basis, will have to comply with the following requirements:

- MREL in terms of TREA (Total Risk Exposure Amount) of 17.50% (excluding the CBR Combined Buffer Requirement);
- MREL in terms of LRE (Leverage Ratio Exposure) of 5.32%.

The Supervisory Authority has defined a 3-year transitional period for the entry into force of the mentioned binding requirements. No additional subordination requirements were attached.

### *Inspections*

In September 2023, the Bank of Italy started two inspections at Banco Desio, concerning "Compliance with regulations on combating money laundering and terrorist financing" and "Governance and control structures of relevant processes with a view to customer protection"; these inspections are still ongoing.

### *Extraordinary tax calculated on the increase in the interest margin*

The extraordinary tax calculated on the increase in interest margin, as provided for by Decree Law No. 104 of 10 August 2023 converted with amendments by Law No. 136 of 9 October 2023, for Banco Desio and the Group amounts to approximately Euro 18.6 million.

The Board of Directors of the Parent Company, meeting on 9 November 2023, resolved that it will propose to the Meeting, when approving the draft financial statements for the 2023 financial year, to allocate an amount of at least Euro 46.6 million to the non-distributable reserve, corresponding to Euro 2.5 times the amount of the tax of approximately 18.6 million, in place of the payment of this tax, making use of the option provided for by the aforementioned provision.

The choice is in line with Banco Desio's strategy of creating shared value for its stakeholders, which it intends to support with a view to the sustainable development of the territories in which it operates.

In this regard, please refer to the section "Proposal for approval of the financial statements and allocation of net profit" in the Banco di Desio e della Brianza Annual Financial Statements.

### *New receivables securitisation of the subsidiary Fides*

On 6 November 2023, the subsidiary Fides announced that it had carried out a private securitisation transaction of receivables mainly deriving from salary-backed loans.

The private transaction was structured pursuant to Law 130/1999 through the issuance of "partly paid" securities for a maximum amount of Euro 360 million and envisages a ramp-up period of one year, during which other portfolios deriving from loans of the same nature originated by Fides will be assigned. The initial portfolio of the transaction has a nominal value of Euro 267 million.

The transaction is consistent with the Banco Desio Group's strategy in personal finance and is functional to support the growth of Fides already seen in 2023 and expected also next year.

The Intesa Sanpaolo Group and Santander CIB participated as Senior Noteholders, while the junior securities were subscribed by the Originator also for regulatory purposes of maintaining net economic interest.

The transaction meets the "simplicity, transparency and standardisation" (STS) requirements of Regulation (EU) 2017/2402.

### *2024-2026 Business Plan "Beyond 26"*

On 23 November 2023, the Board of Directors approved the 2024-2026 Business Plan with which Banco Desio aims to become the best proximity bank in Italy through innovation, digital, application of ESG criteria and proximity to customers.

The strategic pillars are the optimisation of the commercial bank and the creation of growth opportunities through specialisation in the Small Business and POE segment, Wealth Management and Personal Finance.

The main targets of the Plan are listed below:

- ROE above 8% in 2026;
- Cost/Income of about 55% in 2026;
- CET1 above 15% in 2026;
- Solid revenue generation with CAGR 2023-2026 of net banking income of about 4.5%;
- Risk profile constantly under control with Gross NPL Ratio below 4% over the Plan;
- Maintained/improved levels of excellence in customer satisfaction (88 pts);
- Growth Wealth Management to exceed Euro 10 billion AUM;
- Acquisition of 10,000 new Small Business customers via dedicated model;
- Doubling, also through extraordinary transactions and acquisitions, the exposure on the Salary-Backed Loan product, strengthening the position of the subsidiary Fides among the market leaders;
- Prudent liquidity profile, LCR higher than 150% in 2026;
- Investment in technological innovation of Euro 60 million (Euro 32 million change the bank, Euro 28 million run the bank).

The Plan envisages strong commitment and ESG investments with the ambition to bring Banco Desio to a position at least in line with the best peers on sustainability issues and support the environmental transition of its customers. Investments of around Euro 8 million and increasing ESG rating ambitions are expected under the Plan, with the aim of developing dedicated service models for green funding for SMEs.

The good contribution of profitability and the strong capital positioning will allow an increase of the dividend payout to 50% to be proposed over the Plan.

For further information, please refer to the specific information published on the Banco Desio institutional website.

### *The plan to integrate E(SG) factors into the decision-making system*

During the year under review, project activities continued on the programme for the progressive interaction of sustainability factors in the Banco Desio decision-making system, which was launched at the beginning of 2022 with the establishment of an E(SG) Working Group, comprising the heads of all company departments, which drew up an action plan, in line with the expectations of the National and European Supervisory Authorities published on the subject, aimed at progressively achieving three objectives:

- *Supporting local communities in the transition to a circular and low-carbon economy* (i.e. NetZero Commitment to 2050, Sustainable & Responsible Investments);
- *Ensuring the gradual compliance of climate-environmental risk management practices* with the expectations defined by national<sup>1</sup> and European<sup>2</sup> supervisory authorities;
- *Publishing integrated sustainability reporting*, in line with the requirements defined by the European Commission on non-financial climate-related disclosure.

During the reporting period, the Plan was enriched and refined with additional initiatives in line with the targets of the new Business Plan mentioned above. In particular:

- *Strategic Address*, aimed at the more pronounced definition (in continuity with the path undertaken) of the ESG competitive positioning up to 2026, functional to the integration of the business plan, the improvement of the ESG ratings assigned by some of the most recognised specialised agencies and the adherence to international initiatives (e.g. NetZero Banking Alliance) of commitment to the decarbonisation of the portfolio;
- *Commitment to the Green Transition (NetZero, Sustainable & Responsible Investments)*, aimed at supporting the economic transition towards a circular and low-carbon economy through the development of ESG financing services and finalisation of activities to adapt the enabling credit process, development of ESG investment and bancassurance services/products, issuance of ESG bonds for retail and institutional customers. The project stream also envisages the enhancement of the ESG training plan for employees in relation to regulatory developments and initiatives undertaken by the Bank;
- *Control system*, aimed at ensuring the progressive integration of ESG factors into the governance and internal control and risk management system (risk management framework, compliance framework and internal audit framework);
- *Public disclosure*, aimed at the publication of sustainability reporting in accordance with the evolving regulatory requirements with regard to reporting on the alignment of activities to the EU Taxonomy (EU Regulation 2020/852) and the preparation of integrated sustainability reporting in accordance with the CSRD Directive (EU Directive 2022/2464) from the financial year 2024;
- *ICT processes and systems*, aimed at enabling commercial, financial, credit, risk management, financial and non-financial reporting business processes in consideration of E(SG) information and normative-regulatory evolutions.

In the continuation of the project activities, the qualifying aspects that emerged from the ongoing dialogue with the National Supervisory Authority will be valorised, which has led, among other things, to the publication of the main results of the analysis of the action plans developed by Less Significant Institutions (LSI) and non-banking intermediaries for the progressive integration of climate and environmental risks into corporate strategies, governance and internal control and risk management systems (risk management framework, compliance framework and internal audit framework).

For further information, please refer to the specific disclosure published in the Consolidated Non-Financial Statement (Banco Desio Group Sustainability Report 2023).

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<sup>1</sup> Formulated in the Bank of Italy's "Supervisory expectations on climate and environmental risks" of April 2022 and reiterated in the document "Climate and environmental risks Thematic survey on a sample of non-banking intermediaries" of January 2023 and in the document "Action plans on the integration of climate and environmental risks in LSI business processes: main evidence and good practices" of December 2023

<sup>2</sup> Formulated in the European Central Bank's "Climate and environmental risk guide" of November 2020

### *Binding agreements signed for entry into the share capital of Dynamica Retail S.p.A.*

On 31 January 2024, Banco Desio announced that it had signed a sale and purchase agreement and an investment agreement with the shareholders of Dynamica Retail S.p.A ("Dynamica"), a company active in the provision of loans to private customers secured by salary-backed loans, concerning the Banco Desio entry into the share capital of Dynamica through the purchase of the majority of the share capital and the subscription of a capital increase reserved for Banco Desio.

With regard to events subsequent to the end of the financial year, please refer to the information in "Section 4 - Events subsequent to the reference date of the financial statements", contained in Part A of the Notes, and in "Section 2 - Transactions realised after the end of the year", contained in Part G of the Notes.

## **5 - Legislative Decree No. 231/2001**

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

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

## 6 - Human resources

### 6.1 - Management and allocation of resources

With the completion of all of the 2020-2023 Business Plan objectives envisaged, the year 2023 represented an important period for Banco Desio, characterised by the implementation of numerous management actions to support resources, also as a result of the extraordinary transactions finalised within the Group.

In fact, following the strategic agreement, better described in the previous section "4.2 Significant corporate events", with which Banco Desio acquired from the BPER Group two business units with 250 employees and 48 bank branches, 2023 was impacted by the development of the integration process of the acquired resources.

With a view to a path of gradual homogenisation, the knowledge of colleagues was deepened, through the on-boarding programme, team-building initiatives and also thanks to the Competence Mapping tool, which guided the development of awareness of people's potential and guided the choices of rotation functional to increasing integration.

The recruitment of specialised profiles, both network and head office, continued in 2023, in line with the objectives of generational transition, investing in new skills and remaining sensitive to the needs of colleagues in view of retirement.

In particular, the sales network is being invested in with the addition of specialised profiles and holders of interesting portfolios, focusing on both the Affluent and Corporate segments and concentrating on the geographical areas with the highest development potential in terms of business areas.

The physiological staff turnover and the need to size the central structures to make them efficient and effective in the dimension of an innovative and fast-paced bank, also led to important investments in the hiring of specialised figures to support ordinary and extraordinary projects and to guarantee the correct support to the expanding sales network.

In October 2023, the professional advancement event took place, an important appointment aimed at enhancing professionalism in the company and supporting the development and growth of colleagues, also with the objective of enhancing young talent and diversity.

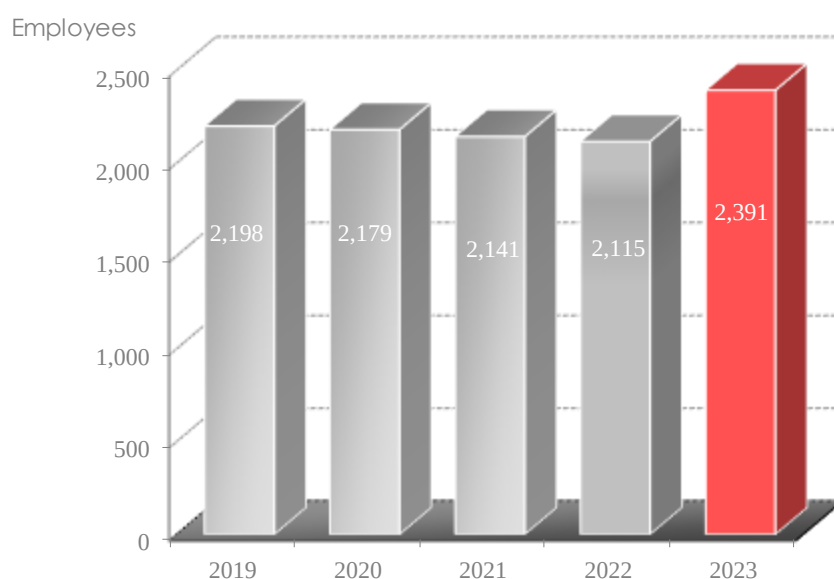
The management choices and the attention paid to remuneration policies also for the year 2023 made it possible to enhance the female component, with Gender Gap and Gender Pay Gap levels in line with the ESG objectives that the Bank pursues, thus achieving the Gender Pay Equality target.

At 31 December 2023, the Group's employees amounted to 2,391 resources, an increase of 276 resources compared to the end of the previous year, mainly due to the entry of 250 employees resulting from the acquisition of business units from the BPER Group mentioned above.

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



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



The following table provides a breakdown of employees by qualification level at the end of the 2023 financial year in comparison with the previous year's balance.

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

| No. Employees          | 31.12.2023 |             |       |             |       | 31.12.2022 |             |       |             |       |
|------------------------|------------|-------------|-------|-------------|-------|------------|-------------|-------|-------------|-------|
|                        | Women      | Incidence % | Men   | Incidence % | Total | Women      | Incidence % | Men   | Incidence % | Total |
| Group employees        | 1,050      | 43.9%       | 1,341 | 56.1%       | 2,391 | 877        | 41.5%       | 1,238 | 58.5%       | 2,115 |
| Managers               | 4          | 14.8%       | 23    | 85.2%       | 27    | 4          | 14.8%       | 23    | 85.2%       | 27    |
| Middle managers        | 374        | 31.9%       | 799   | 68.1%       | 1,173 | 301        | 29.1%       | 734   | 70.9%       | 1,035 |
| Remaining personnel    | 672        | 56.4%       | 519   | 43.6%       | 1,191 | 572        | 54.3%       | 481   | 45.7%       | 1,053 |
| External collaborators | 36         | 32.1%       | 76    | 67.9%       | 112   | 17         | 21.0%       | 64    | 79.0%       | 81    |
| Financial advisors     | 9          | 15.0%       | 51    | 85.0%       | 60    | 6          | 10.9%       | 49    | 89.1%       | 55    |
| Other collaborators    | 27         | 51.9%       | 25    | 48.1%       | 52    | 11         | 42.3%       | 15    | 57.7%       | 26    |
| Total resources        | 1,086      | 43.4%       | 1,417 | 56.6%       | 2,503 | 894        | 40.7%       | 1,302 | 59.3%       | 2,196 |

Table No. 3 - **ENTRIES OF GROUP RESOURCES BY QUALIFICATION IN 2023**

| No. Employees          | 31.12.2023 |             |     |             |       | 31.12.2022 |             |     |             |       |
|------------------------|------------|-------------|-----|-------------|-------|------------|-------------|-----|-------------|-------|
|                        | Women      | Incidence % | Men | Incidence % | Total | Women      | Incidence % | Men | Incidence % | Total |
| Group employees        | 197        | 53.0%       | 175 | 47.0%       | 372   | 51         | 52.6%       | 46  | 47.4%       | 97    |
| Managers               | 0          | 0.0%        | 2   | 100.0%      | 2     | 1          | 100.0%      | 0   | 0.0%        | 1     |
| Middle managers        | 39         | 32.8%       | 80  | 67.2%       | 119   | 19         | 45.2%       | 23  | 54.8%       | 42    |
| Remaining personnel    | 158        | 62.9%       | 93  | 37.1%       | 251   | 31         | 57.4%       | 23  | 42.6%       | 54    |
| External collaborators | 26         | 55.3%       | 21  | 44.7%       | 47    | 8          | 29.6%       | 19  | 70.4%       | 27    |
| Financial advisors     | 3          | 27.3%       | 8   | 72.7%       | 11    | 3          | 23.1%       | 10  | 76.9%       | 13    |
| Other collaborators    | 23         | 63.9%       | 13  | 36.1%       | 36    | 5          | 35.7%       | 9   | 64.3%       | 14    |
| Total resources        | 223        | 53.2%       | 196 | 46.8%       | 419   | 59         | 47.6%       | 65  | 52.4%       | 124   |



Table No. 4 - EXITS OF GROUP RESOURCES BY QUALIFICATION IN 2023

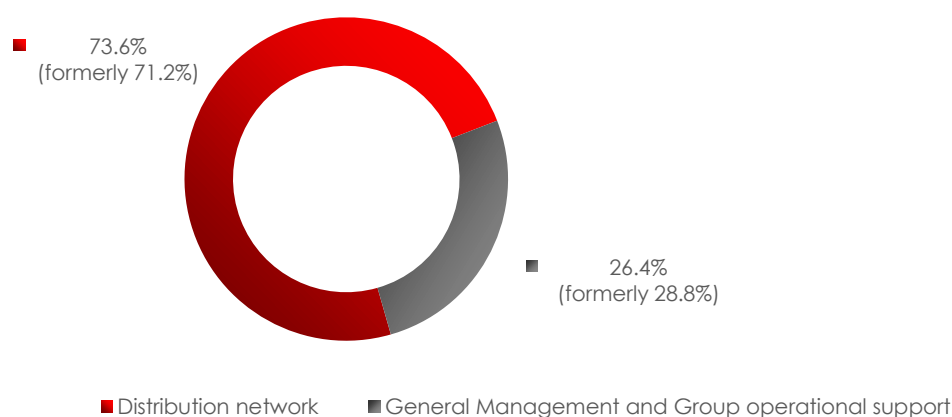
| No. Employees                 | 31.12.2023 |              |           |              |            | 31.12.2022 |              |           |              |            |
|-------------------------------|------------|--------------|-----------|--------------|------------|------------|--------------|-----------|--------------|------------|
|                               | Women      | Incidence %  | Men       | Incidence %  | Total      | Women      | Incidence %  | Men       | Incidence %  | Total      |
| <b>Group employees</b>        | <b>24</b>  | <b>25.0%</b> | <b>72</b> | <b>75.0%</b> | <b>96</b>  | <b>44</b>  | <b>37.0%</b> | <b>75</b> | <b>63.0%</b> | <b>119</b> |
| Managers                      | 0          | 0.0%         | 1         | 100.0%       | 1          | 1          | 20.0%        | 4         | 80.0%        | 5          |
| Middle managers               | 6          | 14.6%        | 35        | 85.4%        | 41         | 17         | 25.4%        | 50        | 74.6%        | 67         |
| Remaining personnel           | 18         | 33.3%        | 36        | 66.7%        | 54         | 26         | 55.3%        | 21        | 44.7%        | 47         |
| <b>External collaborators</b> | <b>10</b>  | <b>43.5%</b> | <b>13</b> | <b>56.5%</b> | <b>23</b>  | <b>3</b>   | <b>50.0%</b> | <b>3</b>  | <b>50.0%</b> | <b>6</b>   |
| Financial advisors            | 0          | 0.0%         | 6         | 100.0%       | 6          | 2          | 40.0%        | 3         | 60.0%        | 5          |
| Other collaborators           | 10         | 58.8%        | 7         | 41.2%        | 17         | 1          | 100.0%       | 0         | 0.0%         | 1          |
| <b>Total resources</b>        | <b>34</b>  | <b>28.6%</b> | <b>85</b> | <b>71.4%</b> | <b>119</b> | <b>47</b>  | <b>37.6%</b> | <b>78</b> | <b>62.4%</b> | <b>125</b> |

Table No. 5 - BREAKDOWN OF GROUP RESOURCES BY AREA

| No. Employees                                     | 31.12.2023   |              |              |              |              | 31.12.2022 |              |              |              |              |
|---------------------------------------------------|--------------|--------------|--------------|--------------|--------------|------------|--------------|--------------|--------------|--------------|
|                                                   | Women        | Incidence %  | Men          | Incidence %  | Total        | Women      | Incidence %  | Men          | Incidence %  | Total        |
| <b>General Management and operational support</b> | <b>300</b>   | <b>43.9%</b> | <b>384</b>   | <b>56.1%</b> | <b>684</b>   | <b>269</b> | <b>42.3%</b> | <b>367</b>   | <b>57.7%</b> | <b>636</b>   |
| Employees                                         | 273          | 43.2%        | 359          | 56.8%        | 632          | 258        | 42.3%        | 352          | 57.7%        | 610          |
| Other collaborators                               | 27           | 51.9%        | 25           | 48.1%        | 52           | 11         | 42.3%        | 15           | 57.7%        | 26           |
| <b>Distribution network</b>                       | <b>786</b>   | <b>43.2%</b> | <b>1,033</b> | <b>56.8%</b> | <b>1,819</b> | <b>636</b> | <b>40.1%</b> | <b>950</b>   | <b>59.9%</b> | <b>1,586</b> |
| Employees                                         | 777          | 44.2%        | 982          | 55.8%        | 1,759        | 619        | 41.1%        | 886          | 58.9%        | 1,505        |
| of which Private Bankers                          | 15           | 20.5%        | 58           | 79.5%        | 73           | 16         | 23.2%        | 53           | 76.8%        | 69           |
| Financial advisors                                | 9            | 15.0%        | 51           | 85.0%        | 60           | 17         | 21.0%        | 64           | 79.0%        | 81           |
| <b>Employees</b>                                  | <b>1,086</b> | <b>43.4%</b> | <b>1,366</b> | <b>54.6%</b> | <b>2,503</b> | <b>888</b> | <b>41.5%</b> | <b>1,253</b> | <b>58.5%</b> | <b>2,141</b> |

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

Graph No. 3 - BREAKDOWN OF GROUP EMPLOYEES BY AREA



For further information, please refer to the specific disclosure published in the Consolidated Non-Financial Statement (Banco Desio Group Sustainability Report 2023).

## 6.2 - The training activity

In continuity with the two previous years, the year 2023 also concluded by confirming a significant investment in training, consistent with the development drivers outlined in the training plan at the beginning of the year. The training programmes provided took the form of activities aimed at both supporting the strengthening of technical knowledge and enhancing the strengthening of behavioural skills, necessary in the exercise of the various organisational roles.

This investment is also confirmed by the training hours recorded, reaching 174,629 total man-hours provided (formerly 135,076), corresponding to 10.3 average days per employee (formerly 8.2) with 39,553 more hours provided than in 2022.

Among the various programmes provided, of particular note was the on-boarding programme addressed to all the resources introduced into the organisational structure through the extraordinary acquisition of 48 branches from Bper Banca, which saw the entry of 250 resources and the establishment of the new Liguria/Sardinia Area. This programme was structured in different phases and delivered in different modalities: video tutorials to illustrate application systems and business procedures, video lessons to explore the world of business and gain knowledge about the commercial offer, and webinars to accompany the Network operations. Furthermore, in order to ensure significant support for the new resources, several members of the various territorial areas were appointed as ambassadors; these resources were involved in specific training activities: from initiatives focused on the interpretation of the role exercised to in-depth thematic studies through the collaboration ensured by the Corporate Functions. Following the delivery of this first training phase, a second intensive phase structured on different thematic areas was carried out to explore and consolidate knowledge on the Bank's processes, procedures and commercial offer.

Below are the 3 pillars on which the 2023 proposal was articulated, describing them in their most representative features:

1. The training programmes:

- new multi-disciplinary programmes were realised through micro-learning sequences that allowed the re-use of content within different programmes aimed at different professionals, in order to ensure a learning experience articulated over different areas of expertise;
- particular attention was paid to the way in which content was designed, involving multiple resources from the different corporate functions in both the content construction and delivery phases, with the aim of ensuring pathways focused on corporate processes and procedures.

2. The delivery instruments:

- diversified tools for the collection of professional needs (check lists and surveys) have been included in the framework of training programmes, in order to address in a more targeted way the structured training response according to the real skills gaps that emerged also through the use of assessment;
- a self-planning tool was constructed and proposed to the recipients of the training activity in order to allow them to choose which of the planned sessions to attend, with a view to making the planning of the training activity even more flexible, which is already facilitated through the use of Smart Learning;
- situational case studies were set up within different training programmes in order to make the acquired competences practically applicable.

### 3. The modalities of delivery:

- on-the-job training was structured differently to support learning making the acquired skills practically applicable: this approach made it possible to increase knowledge about the working tools that can be used to manage professional activities more effectively;
- the use of in-house teaching within multiple training programmes of a technical-professional nature continued, in order to contextualise the delivery of content on the specific organisational reality and respond in a targeted manner to real professional needs;
- the use of interactive tools and gamification dynamics was also enhanced for the discussion of topics related to the regulatory context, in order to facilitate interaction and involvement of the target audience.

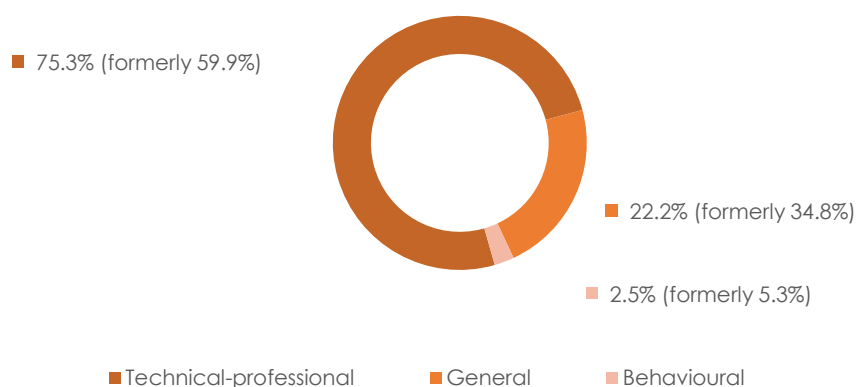
These elements made it possible to continue along the path of realising a diversified learning experience oriented towards providing more and more working tools, useful both for reading and understanding organisational dynamics and for acquiring additional skills necessary to exercise professionalism with increasing awareness. This also includes the programmes, continued in line with the Devel-up project, which has been implemented over the last two years through the lines of action defined in the annual training plan.

The various initiatives provided are represented within the three types of training offered:

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

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

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



"General" training accounted for 59.9% of total activities

- **Regulatory Area**

Within this area on the subject of "Anti-Money Laundering", we would like to mention the initiative addressed to both Branch Managers and Private Bankers with the aim of raising awareness of resources on issues relating to adequate verification and the reporting of suspicious transactions, with a view to ensuring continuous monitoring of money laundering and anti-terrorism risks.

In addition, the topic of "Anti-Money Laundering" was the subject of specific training modules delivered in e-learning through interactive modalities, for example the module "Anti-Money Laundering implications", which illustrates the contents using also situations taken from the operational context, and the "Cheque Game" (to recognise irregular cheques and indicate whether the cheque should be reported to the MEF or not) addressed to the resources belonging to the branch administrative segment: gamification dynamics were used for the realisation of these two modules, in order to facilitate the acquisition of the knowledge covered through the application.

In addition, a training programme was launched with the aim of increasing the awareness of network resources on the Bank's risk management methods and tools: this programme was structured in different modules, the first of which - delivered via webinar - focused on the topic of "Internal and external fraud" and was attended by about 1,460 resources. This form was also finalised on the basis of the results obtained through a survey issued to the entire network population, with the aim of gathering the level of perception with respect to the control of corporate risks and the value that ethics assumes in a corporate context.

In addition, we would like to mention both the "Payment Systems" training programme - which deals with topical issues developed through different situation rooms aimed at applying the knowledge acquired - and the "Cyber Training" programme articulated through multiple videos and information briefs that explore the language of the web by providing useful content in the personal and professional spheres. A specific programme on "privacy" was also addressed to specific HQ Functions in order to contextualise the contents to the relevant organisational context. As part of the on-boarding programme, the modules on "usury", "MOG 231", "whistleblowing" and "POG Banking" will be reintroduced - in continuity with previous years - with further refresher courses to be delivered during 2024. Lastly, we highlight the programmes aimed at new resources (acquisition of 48 branches from Bper Banca), in order to align positions in the field of Health and Safety in the Workplace (fire-fighting and first aid staff, basic programme for workers and for resources appointed as supervisors).

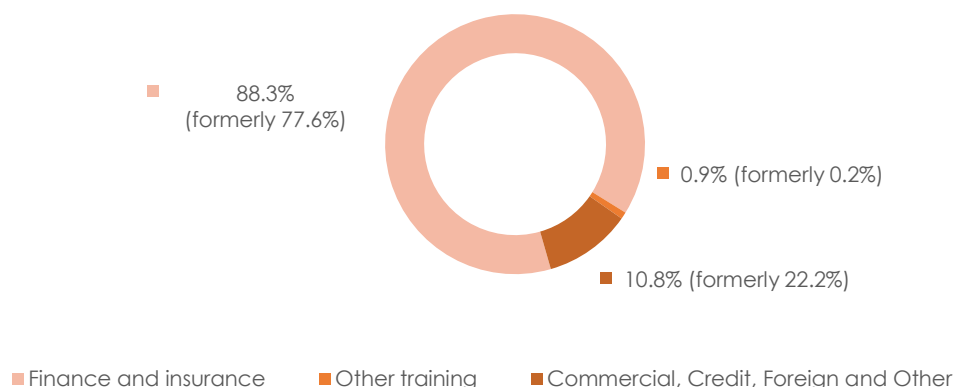
- **Other Training**

The training programme aimed at resources with the profile of Business Data Specialist was launched to support them in building the specialised knowledge required to manage the identified projects. Also worth highlighting is the investment confirmed through participation in inter-company workshops and specialised programmes addressed to the resources of the various Corporate Functions, with the aim of acquiring/updating specific professional knowledge.

"Technical-professional" training recorded an increase of 62.6% of hours provided compared to the previous year.

Below we illustrate the main initiatives aggregated by areas of expertise, highlighting that the programmes belonging to this typology were designed with the aim of accompanying the evolution of new expertise and further enhancing the skills possessed by resources, in line with the specialisation needs required by the business model.

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



Below are the main initiatives aggregated by subject area of competence:

- **Finance and Insurance Area (88.3%)**

These two areas record a significant number of training hours delivered.

In particular, it is worth mentioning the launch of the ESMA and IVASS integrated maintenance programme, which was articulated on six different paths defined both according to the results of the ESMA assessment - also used to define the IVASS programmes - and to the project inherent to the "New Model of Insurance Advice and Needs Analysis", introduced through four specific training modules: "Service Model", "Financial Advice", "Protection" and "Pension", addressed to the 1300 resources involved in the project. Particular attention was paid to the composition of the contents inherent to the different professional qualification programmes, consisting of both technical topics such as, for example, "Analysis of the macro-economic scenario", "Risk profiling in investment choices" and Soft Skill modules: "Learning AGILITY" and "Handling objections in insurance brokerage", with the aim of providing fundamental behavioural tools also for the application of specialist knowledge.

With particular reference to the commercial offer, both the "Anthilia Must" sessions and the insurance-focused sessions on the different product lines are highlighted. Lastly, of particular relevance are the two master's degree courses (the first of a pension nature and the second focused on Private Banking and Wealth Management skills) proposed with the aim of further strengthening the specialised skills possessed by the resources involved, also in accordance with business objectives.

- **Credit Area**

All the initiatives belonging to this thematic area were delivered by in-house teaching (by specialists), with the aim of reinforcing the technical knowledge of Network resources in credit matters, contextualising their application.

The training programs carried out on the subject of "Credit merit assessment" and "Mortgage disbursement" were particularly useful, divided into two sessions: the first of an educational nature and the second with a more applicative aspect, in order to provide participants with concrete operational tools for managing operations. Always with the aim of facilitating operations and deepening the knowledge of resources on the various operational steps, we also highlight the on-the-job training sessions, which involved multiple resources from the different territorial areas. With particular reference to the new Liguria-Sardinia Area, specific classroom sessions were dedicated both to RDF on the topic of "Credit and NPL Monitoring" and to resources belonging to the

corporate segment on topics such as "Credit Policies" and "Credit Monitoring: CQM", in order to explore some specialised contents acquired during the first on-boarding training phase.

Another thematic module addressed to the corporate segment and RDF is the one concerning the "AIRB rating system", which was the subject of both training activities delivered in e-learning - in continuity with previous years - and specific webinars aimed at aligning operational behaviour and introducing the new indicators, while at the same time responding to the training needs that emerged during the roadshows addressed to the Network.

- **Commercial Area**

In order to acquire and deepen their knowledge of the Bank's commercial offer aimed at the various customer segments, various video lessons were held as part of the on-boarding programme dedicated to the resources newly recruited into the organisational structures: "Consumer Lending: mortgages and personal loans", "E-money", "Companies and Small Businesses" and "Current Accounts". A particular focus was devoted to the digital topic through a training course structured both in multiple training briefs, which proposed a dedicated navigation within the digital tools implemented by the Bank, and through a video lesson exploring the "Digital Evolution in Banco Desio": these initiatives were accompanied by a module dedicated to the Digital Mindset, which stimulated a reflection on the need to acquire an increasingly digital-oriented attitude, providing an overview of the skills needed to acquire such an approach.

In this context, the "Digital Lending" initiative was of particular importance: projects were also introduced through specific training sessions dedicated to the Network.

The use of specialised product modules also continued: "Asset Management", "Structured Finance", "Insurance solutions to protect business risks" and "Family Protection" for different Network professional figures, while - in order to ensure a structured on-boarding path for the new resources introduced into the structure, also facilitating the comparison with the HQ Functions - on-site sessions were also carried out, aimed, in particular, at the corporate segment and RDF.

In the area of "Behavioural" training, we highlight the training proposal addressed to the private network segment, which was structured in different training sessions with the aim of providing behavioural tools to be used in the commercial proposition. As part of this initiative, both relational and emotional aspects were also reflected upon alongside technical preparation.

The "Talent Project" also included the involvement of HQ resources: the aim was confirmed to detect the potential expressed in the evaluation phase and then enhance it. The project - concluded in its first stage in the year 2023 with the return of the feedback, through which resources were given a precise representation of their professional positioning - will continue over the next year through the launch of customised and differentiated training courses, in line with the development plan drawn up for each resource.

In addition, the programmes developed in the area of sustainability are also highlighted: the first is the "Making a difference, enhancing your value" course structured around three behavioural modules proposed with the aim of increasing the awareness that resources possess of their professional assets. In particular, the course focuses on team working skills, which are increasingly in demand in the corporate context, where the ability to work as part of a team is a distinctive and valuable characteristic. The second programme deals with the topic of "Managing differences", addressed to the entire corporate population with the aim of providing relational tools for resources to enhance effectiveness in managing differences within the corporate context.

As part of the Bank's commitment in the "Beyond 26" plan, there is also a plan to strengthen the ESG training plan to be provided to 100% of employees in relation to regulatory changes and initiatives undertaken by the Bank.

The following tables provide details of (i) training by type of training offered, (ii) training by professional classification and (iii) training provided to financial advisors.

Table No. 6 - TRAINING BY TYPE OF TRAINING OFFER

| Training by type of training offer     | 31.12.2023            |             | 31.12.2022            |             |
|----------------------------------------|-----------------------|-------------|-----------------------|-------------|
|                                        | No. hours of training | Incidence % | No. hours of training | Incidence % |
| <b>Behavioural Training</b>            | <b>4,388</b>          | <b>3%</b>   | <b>7,153</b>          | <b>5%</b>   |
| <b>Technical-Professional Training</b> | <b>131,445</b>        | <b>75%</b>  | <b>80,855</b>         | <b>60%</b>  |
| of which:                              |                       |             |                       |             |
| Finance Area                           | 54,668                |             | 14,689                |             |
| Credit Area                            | 7,644                 |             | 3,032                 |             |
| Insurance Area                         | 61,371                |             | 48,075                |             |
| Commercial Area                        | 6,626                 |             | 14,925                |             |
| Other Training                         | 1,136                 |             | 134                   |             |
| <b>General Training</b>                | <b>38,796</b>         | <b>22%</b>  | <b>47,068</b>         | <b>35%</b>  |
| of which:                              |                       |             |                       |             |
| Regulatory Area                        | 37,389                |             | 45,968                |             |
| Other Training                         | 1,407                 |             | 1,100                 |             |
| <b>Total</b>                           | <b>174,629</b>        | <b>100%</b> | <b>135,076</b>        | <b>100%</b> |

Table No. 7 - TRAINING BY PROFESSIONAL CLASSIFICATION

| Training by professional classification | 31.12.2023             |                |                          | 31.12.2022             |                |                          |
|-----------------------------------------|------------------------|----------------|--------------------------|------------------------|----------------|--------------------------|
|                                         | No. Employees involved | No. hours      | Average hours per capita | No. Employees involved | No. hours      | Average hours per capita |
| <b>Managers</b>                         | <b>25</b>              | <b>824</b>     | <b>33.0</b>              | <b>25</b>              | <b>728</b>     | <b>29.1</b>              |
| Men                                     | 21                     | 713            | 34.0                     | 21                     | 577            | 27.5                     |
| Women                                   | 4                      | 111            | 27.6                     | 4                      | 151            | 37.7                     |
| <b>Middle managers</b>                  | <b>1,133</b>           | <b>89,767</b>  | <b>79.2</b>              | <b>1,018</b>           | <b>66,586</b>  | <b>65.4</b>              |
| Men                                     | 772                    | 61,123         | 79.2                     | 719                    | 46,665         | 64.9                     |
| Women                                   | 361                    | 28,644         | 79.3                     | 299                    | 19,921         | 66.6                     |
| <b>Professional Areas</b>               | <b>1,147</b>           | <b>84,038</b>  | <b>73.3</b>              | <b>1,027</b>           | <b>67,762</b>  | <b>66.0</b>              |
| Men                                     | 506                    | 38,837         | 76.8                     | 472                    | 32,192         | 68.2                     |
| Women                                   | 641                    | 45,201         | 70.5                     | 555                    | 35,570         | 64.1                     |
| <b>Total</b>                            | <b>2,305</b>           | <b>174,629</b> | <b>75.8</b>              | <b>2,070</b>           | <b>135,076</b> | <b>65.3</b>              |
| <b>Men</b>                              | <b>1,299</b>           | <b>100,673</b> | <b>77.5</b>              | <b>1,212</b>           | <b>79,434</b>  | <b>65.5</b>              |
| <b>Women</b>                            | <b>1,006</b>           | <b>73,956</b>  | <b>73.5</b>              | <b>858</b>             | <b>55,641</b>  | <b>64.9</b>              |

Table No. 8 - TRAINING PROVIDED TO FINANCIAL ADVISORS

| Training by type of training offer     | 31.12.2023            |             | 31.12.2022            |             |
|----------------------------------------|-----------------------|-------------|-----------------------|-------------|
|                                        | No. hours of training | Incidence % | No. hours of training | Incidence % |
| <b>Behavioural Training</b>            | <b>325</b>            | <b>6%</b>   | <b>0</b>              | <b>0%</b>   |
| <b>Technical-Professional Training</b> | <b>4,423</b>          | <b>88%</b>  | <b>2,544</b>          | <b>79%</b>  |
| of which:                              |                       |             |                       |             |
| Administrative Area                    |                       |             |                       |             |
| Finance Area                           | 2,354                 |             | 1,113                 |             |
| Foreign Area                           |                       |             |                       |             |
| Credit Area                            | 2                     |             | 48                    |             |
| Insurance Area                         | 2,004                 |             | 876                   |             |
| Commercial Area                        | 63                    |             | 507                   |             |
| External Training                      |                       |             |                       |             |
| Other Training                         |                       |             |                       |             |
| <b>General Training</b>                | <b>294</b>            | <b>6%</b>   | <b>673</b>            | <b>21%</b>  |
| of which:                              |                       |             |                       |             |
| Regulatory Area                        | 293                   |             | 673                   |             |
| Other Training                         | 1                     |             | 0                     |             |
| <b>Total</b>                           | <b>5,042</b>          | <b>100%</b> | <b>3,217</b>          | <b>100%</b> |



For further information, please refer to the specific disclosure published in the Consolidated Non-Financial Statement (Banco Desio Group Sustainability Report 2023).

## 6.3 - Labour relations

In the course of 2023, relations with the Workers' Unions present in the Bank (OO.SS.), in addition to providing the ordinary opportunities for meetings and discussions on legal and contractual issues, allowed for the achievement of specific agreements that, pursuing labour policies in line with industry best practices, renewed also for 2024 the work life balance tools introduced in the year just ended, with the aim of guaranteeing sustainability and corporate welfare initiatives for the benefit of the well-being of people as well as the development of a positive and flexible work environment. In particular:

- accessibility, also for 2024, to the ordinary agile working mode (so-called smart working) for central management staff, in line with the provisions of the national collective agreement and with industry best practices;
- accessibility, also for the year 2024, of the mode of participating in training courses remotely, even outside the workplace of assignment (so-called smart learning up to 4 days per year) in favour of all Resources;
- renewal, for the year 2024, of the so-called "time bank", fuelled by the company and the solidarity of the Resources who decide to join the initiative. The purpose of the time bank is to provide access to an allocation of paid leave in addition to ordinary leave, for the benefit of employees affected by specific and special personal or family needs, including the needs related to employees that are parents;
- the renewal, also for 2024, of the financing conditions reserved for employees, with the provision of specific reductions in the rates envisaged and special protection solutions for employees with outstanding mortgages in view of the changed market scenarios;
- renewal, for the year 2024, of the benefits envisaged as a special contribution in support of disability: in particular, both the economic contribution in favour of workers with dependent children or spouses suffering from serious disability, and the contribution to reimburse expenses incurred for medical instruments and equipment necessary for the same situations of serious disability.

In the first months of the year, trade union relations were particularly focused on the procedure relating to the extraordinary transaction with BPER Banca for the sale to Banco Desio of two business units consisting of 48 former Carige and Banco di Sardegna branches completed with the signing of a specific union agreement dated 3 February 2023.

In the second part of the year 2023, the customary discussions with the trade unions were carried out, beforehand also in the Joint Technical Commission, on the employee health plan, ensuring its continuation throughout the year 2024. Furthermore, the Group's Joint Sustainable Policies Committee met for a moment of dialogue and discussion to continue actively pursuing respect for the fundamental ethical values of responsibility, integrity and transparency on which correct business policies are based.

## 6.4 - Prospective activities

The year 2024 is the first year of implementation of the new "Beyond 26" business plan, envisaging, in the area of resources, the continuation of the path of optimising the workforce by favouring paths of generational turnover, as well as the revision of processes functional to the release of resources and the strengthening of HQ and network structures. Attracting and retaining young talent through an attractive value proposition and specific development programmes will also be at the heart of the Resource Department's action plans.

In addition, the year 2024 will also see the Resources Department committed to the further directions of the aforementioned Business Plan:

- rethinking the service model on Small Business and POE customers consistent with more significant value creation in the segment;
- managerial reinforcement in areas with higher development/transformation potential (e.g. WM, Commercial Bank, SMEs, Operations, ALM), also by insourcing skills from outside;
- further implementation of management training through the introduction of plans focusing on new emerging trends and the development of soft skills;
- further investment in variable and incentive remuneration for the network and management structures in a profit-sharing logic;
- with particular reference to the ESG objectives of the plan, the development and nurturing of employees with increased young talent and ESG training of employees;
- continuation of the path already taken in the area of Diversity (female managers); new female hires; gender pay equality.

The project to implement the Wealth Management structure in line with the objectives of the "Beyond 26" Business Plan is also scheduled to continue in 2024.

Lastly, a special effort is also envisaged on the trade union relations front, in relation to the above-mentioned extraordinary transaction for the acquisition of 48 branches from BPER Banca, in order to proceed with the complete harmonisation of the contractual treatments applied to the acquired Resources.

Lastly, the Resources Department will take steps to implement the changes introduced by the new national sector contract, both for the regulatory part (e.g. working hours) and for the economic part, by applying the remaining tranches of increase in the "salary" pay item (in addition to the one already applied in December 2023), set by the renewal agreement of the national collective agreement of 23 November 2023 to 1 September 2024, 1 June 2025 and 1 March 2026.

## 7 - Control activities

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

In the exercise of its management and coordination function, the model adopted by Banco Desio, as Parent Company, provides for a triple level of control over its subsidiaries, taking into account the nature and size of the activity carried out by the individual companies, as well as of the specific location, identifying within it the functions responsible for the specific control mechanisms.

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

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

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

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

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

## 7.2 - The internal control system

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

Detailed information on the internal control system, as well as on the Financial Reporting Manager, and therefore also on the risk management and internal control systems on the financial reporting process, are contained in paragraphs 4.1, 4.3 and 4.5 of the Annual Corporate Governance Report made available, pursuant to Article 123-bis of the Consolidated Law on Finance, on the website [www.bancodesio.it](http://www.bancodesio.it).

## 7.3 - Risk measurement and management

Banco Desio adopts a prudential approach to managing business risks, with a view to preventing and mitigating them. These safeguards cover each type of business risk taken on consistently with the characteristics, size and complexity of the activities performed. To this end, in line with the provisions of Bank of Italy Circular No. 285, the Bank prepares the Risk Appetite Framework (RAF), which is updated on an annual basis in line with the evolution of the Group's risk objectives and strategies. The methodological approach adopted includes a quantitative assessment based on three different types of indicators (first-tier risk indicators, second-tier risk indicators and key-risk indicators) and a qualitative assessment concerning organisational controls. In addition, there are specific policies concerning the various types of risk, which provide the criteria for their operational management from an individual and group perspective.

Strategic decisions at Group level on corporate risk management are referred to the corporate bodies of the Parent Company; as far as the other subsidiaries are concerned, the corporate bodies of each of them are aware of the risk profile and management policies defined by the Parent Company and are responsible for implementing these policies in a manner consistent with their own corporate reality. With a view to an effective and efficient risk management and control system, the Group places specific responsibilities on its organisational structure: with this in mind, the principle of separation of the functions involved in the risk control process is applied in accordance with prudential supervisory regulations.

The activity of identifying the risks to which Banco Desio and the Group is or may be exposed involves constant updating that takes into account its operations, the reference markets and the evolution of the prudential supervisory regulatory context.

This activity derives from an integrated and continuous recognition process carried out centrally by the Parent Company that takes into account, in relation to the evolution and/or changes in the business model, the operational specificities of the individual legal entities included in the scope of consolidation.

The risk identification process determines the periodic updating of the "Group Risk Map" document, which illustrates the Bank's position with respect to first- and second-pillar risks, both in a current and prospective view, in order to anticipate any risks capable of impacting the operations of individual legal entities and therefore the Group. The purpose of updating it is to define the perimeter of relevant risks/entities, through the application of appropriate applicability and materiality criteria, which make it possible to discriminate between tangible and intangible risks.

The perimeter of material risks is composed of all Pillar I risks, which are compulsory by regulation, and independently identified Pillar II risks. They are quantified and monitored according to the specificities at

the level of the individual legal entity and the Group, consistent with current legislation and taking into account national and international regulatory developments.

With respect to a preliminary identification of Environmental Social and Governance (ESG) risks, correlated to the business risks defined in the Group's internal policies, as a result of a specific project carried out in 2021 the Banco Desio Group developed an action plan, called Masterplan E(SG), which among the areas of intervention also contemplates the development of the specific issue of environmental climate risk governance and management. During 2023, the activities identified in the aforementioned E(SG) Master Plan continued. Specifically, the Group, with the aim of integrating climate-environmental factors into the Risk Management Framework, has developed two main activities:

- Identification of the set of Key Risk Indicators (KRIs) to monitor the amount of existing and new credit exposure potentially exposed to climate-environmental risks;
- Identification of the set of second-level controls aimed at identifying counterparties potentially exposed to climate-environmental risks.

For both of the aforementioned activities, the Group has outlined the two components of climate-environmental risk, as set out in the Supervisory Expectations:

- physical risk: this refers to the economic impact resulting from the expected increase in natural events whose occurrence can be defined as "extreme" or "chronic". Acute physical risks depend on the occurrence of extreme environmental phenomena (such as floods, heat waves and droughts) linked to climate change, which increase their intensity and frequency. Chronic physical hazards, on the other hand, are determined by climatic events that arise over time (e.g. gradual temperature and sea level rise, deterioration of ecosystem services and loss of biodiversity). All of these types of events affect the level of production activity and can even impair it permanently;
- transition risk refers to the economic impact of the adoption of regulations to reduce carbon emissions and encourage the development of renewable energy, technological developments, and changing consumer preferences and market confidence.

For the purposes of the Group's assessments of potential exposure to climatic-environmental factors, an enrichment of the databases was carried out in 2023 using information obtained from specially selected infoproviders. This integration, in line with the Supervisory Expectations to promote the incorporation of climate and environmental risk assessment, is aimed at creating a database on climate and environmental risk profiles.

Banco Desio will continue in 2024 with the evolutionary activities of the Risk Management Framework in the ESG area, with particular reference to the climate-environmental risk component. For further details, please refer to the disclosure "The plan to integrate E(SG) factors into the Bank's decision-making system" in the Banco Desio Group's Consolidated Non-Financial Statement (Sustainability Report 2023).

The integration of climate-environmental risk as part of the overall risk mapping activity and of the path undertaken for the complete definition and management of sustainability or ESG risks, is part of the broader transformation programme undertaken by Banco Desio since the beginning of 2022 with the adoption of the plan to integrate ESG factors into its decision-making system, called "Masterplan E(SG)", which was followed by the adoption of the similar plan of the subsidiary Fides S.p.A, in March 2023, managed under the direction and coordination of the Parent Company.

The overall medium-term planning undertaken by the Group, which confirms the Banco Desio strategic approach to sustainability issues and the related risks (climate and environmental first and foremost), takes into account the expectations of the National and European Supervisory Authorities published on the subject, in which it is clearly highlighted how this transition entails both risks and opportunities for the entire economic system and for financial institutions, just as the physical damage caused by climate change

and environmental degradation can have a significant impact on the real economy and the financial sector.

In the continuation of the project activities, the qualifying aspects that emerged from the ongoing dialogue with the National Supervisory Authority will be valorised, which has, among other things, led to the publication of the main results of the analysis of the action plans developed by Less Significant Institutions (LSI) and non-banking intermediaries for the progressive integration of climate and environmental risks into corporate strategies, governance and control systems, and the risk management framework.

The identification of material risks also took into account the uncertainties surrounding them, understood as possible events the potential impact of which cannot be determined and thus quantified at present. More specifically, the national and global macroeconomic scenario, which is a determining factor on the outlook for operations, is characterised by profiles of uncertainty in relation, in particular, to the residual effects of the Covid-19 epidemic and the consequent risks of further negative impacts on the economy and financial markets, together with the ongoing wars (particularly in Europe and the Middle East) that are characterising the current context.

Uncertainties and fears for further social and economic repercussions will also depend on the success of monetary and fiscal measures launched by EU authorities and member state governments to support the most exposed sectors and operators.

Any further expansionary phases of the Covid-19 and consequent new containment measures, as well as the continuation of war conflicts with geo-political and energy supply repercussions, could lead to further general economic consequences and specific impacts on the bank's and the Group's economic, financial and capital situation, including indirect ones. In this context, the possibility of the economic slowdown having negative effects on credit and market risk profiles is of particular relevance.

With regard, more in general, to the specific activities carried out by the Banco Desio Risk Management Department, with the aim of ensuring controls on the management of the various types of risk through the adoption of integrated processes, please refer to Part E - Information on risks and related hedging policies of the Notes to the Financial Statements.

## 8 - Operating performance

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

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

Total customer assets under administration stood at around Euro 34.9 billion, up from the balance at year-end 2022 (+17.3%), attributable to the performance of indirect inflows (+17.5%), and of direct inflows (+16.9%). 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.

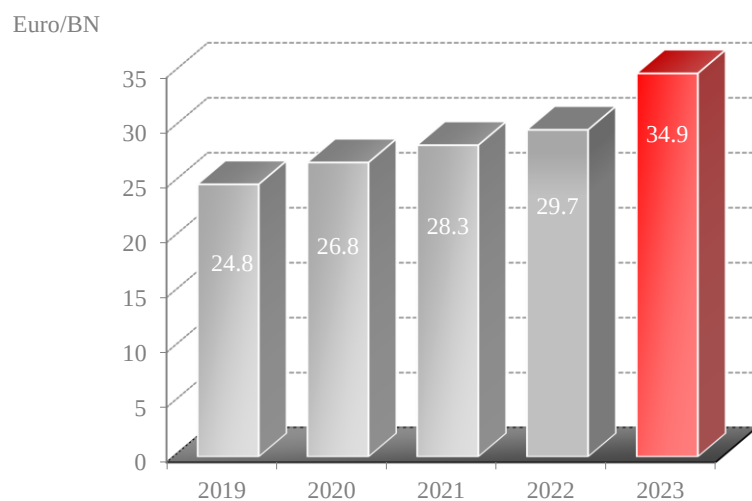
Table No. 9 - TOTAL INFLOWS FROM CUSTOMERS

| Amounts in Euro thousands            | 31.12.2023 Incidence % |               | 31.12.2022 Incidence % |               | Changes          |              |
|--------------------------------------|------------------------|---------------|------------------------|---------------|------------------|--------------|
|                                      |                        |               |                        |               | Value            | %            |
| Payables to customers <sup>(1)</sup> | 12,277,411             | 35.2%         | 11,110,366             | 37.4%         | 1,167,045        | 10.5%        |
| Securities issued                    | 2,509,819              | 7.2%          | 1,536,151              | 5.1%          | 973,668          | 63.4%        |
| <b>Direct inflows</b>                | <b>14,787,230</b>      | <b>42.4%</b>  | <b>12,646,517</b>      | <b>42.5%</b>  | <b>2,140,713</b> | <b>16.9%</b> |
| Inflows from ordinary customers      | 12,683,669             | 36.4%         | 10,135,327             | 34.1%         | 2,548,342        | 25.1%        |
| Inflows from institutional customers | 7,391,538              | 21.2%         | 6,947,288              | 23.4%         | 444,250          | 6.4%         |
| <b>Indirect inflows</b>              | <b>20,075,207</b>      | <b>57.6%</b>  | <b>17,082,615</b>      | <b>57.5%</b>  | <b>2,992,592</b> | <b>17.5%</b> |
| <b>Total inflows from customers</b>  | <b>34,862,437</b>      | <b>100.0%</b> | <b>29,729,132</b>      | <b>100.0%</b> | <b>5,133,305</b> | <b>17.3%</b> |

<sup>(1)</sup> Including inflows repurchase agreements with institutional customers in the amount of Euro 608 million (Euro 503 million at 31December 2022)

The histogram below depicts the trend in total inflows as of 2019, which shows a compound average annual growth rate of 8.9%.

Graph No. 6 - TRENDS IN INFLOWS IN RECENT YEARS



#### Direct inflows

Direct deposits amounted to about Euro 14.8 billion and showed an increase of 16.9%, which resulted from the growth in amounts due to customers of about Euro 1.2 billion (+10.5%) and in securities issued (+63.4%). The trend in direct inflows over the past few years is represented by the following table and graph.

Table No. 10 - DIRECT INFLOWS

| Amounts in Euro thousands                                  | 31.12.2023 Incidence % |               | 31.12.2022 Incidence % |               | Changes Value %  |              |
|------------------------------------------------------------|------------------------|---------------|------------------------|---------------|------------------|--------------|
|                                                            |                        |               |                        |               |                  |              |
| <b>Payables to customers</b>                               | <b>12,277,411</b>      | <b>83.0%</b>  | <b>11,110,366</b>      | <b>87.9%</b>  | <b>1,167,045</b> | <b>10.5%</b> |
| Current accounts and deposits                              | 11,129,419             | 75.2%         | 10,380,398             | 82.1%         | 749,021          | 7.2%         |
| <i>current accounts and demand deposits</i>                | 10,116,726             | 68.4%         | 10,058,896             | 79.5%         | 57,830           | 0.6%         |
| <i>fixed-term deposits and restricted current accounts</i> | 1,012,693              | 6.8%          | 321,502                | 2.6%          | 691,191          | 215.0%       |
| Repurchase agreements and securities lending               | 607,636                | 4.1%          | 503,113                | 4.0%          | 104,523          | 20.8%        |
| Loans and other payables                                   | 540,356                | 3.7%          | 226,855                | 1.8%          | 313,501          | 138.2%       |
| <b>Securities issued</b>                                   | <b>2,509,819</b>       | <b>17.0%</b>  | <b>1,536,151</b>       | <b>12.1%</b>  | <b>973,668</b>   | <b>63.4%</b> |
| bonds and liabilities measured at fair value               | 2,509,466              | 17.0%         | 1,531,574              | 12.1%         | 977,892          | 63.8%        |
| certificates of deposit and other securities               | 353                    | 0.0%          | 4,577                  | 0.0%          | -4,224           | -92.3%       |
| <b>Direct inflows</b>                                      | <b>14,787,230</b>      | <b>100.0%</b> | <b>12,646,517</b>      | <b>100.0%</b> | <b>2,140,713</b> | <b>16.9%</b> |

Payables to customers, amounting to Euro 12.3 billion, represent the most significant item with 83.0% of the total balance and are attributable for about Euro 10.1 billion to the “demand” component of inflows, i.e. free current accounts and savings deposits, for about Euro 1.0 billion to time deposits, for Euro 0.6 billion to repurchase agreements with Cassa di compensazione e Garanzia, and for the remainder to other payables.

Outstanding securities refer to bonds issued and all placed for about Euro 2.5 billion and certificates of deposit for the remainder.

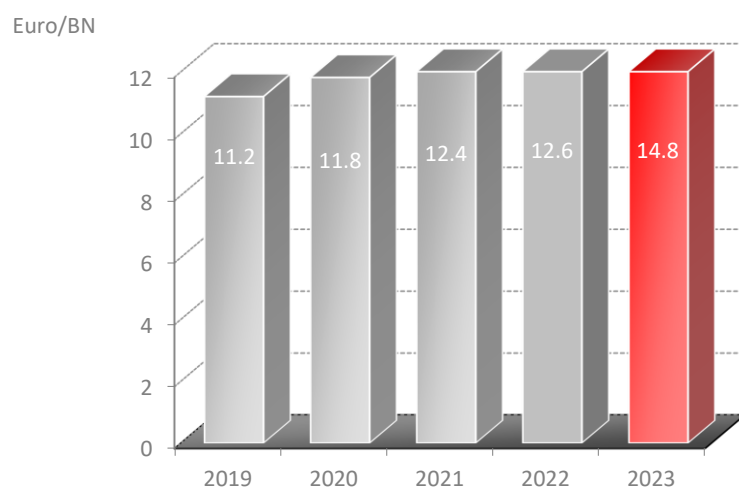
In 2023, the Bank continued to offer its customers bonds of its own issuance (7 placements) for a total amount of Euro 300 million.

In July, Banco Desio entered into an agreement with the Parent Company Brianza Unione di Luigi Gavazzi e Stefano Lado S.A.p.A. for the subscription by the latter of a Subordinated Tier 2 Banco Desio 10Y non-call 5Y Bond in the amount of Euro 60 million. Brianza Unione consequently issued a bond in the form of a private placement with the same characteristics, fully subscribed by professional investors. The two issues of Tier 2 Subordinated Bonds are placed in the broader context of a transaction aimed at determining the assignment of a Tier 2 liability within the framework of the prudential regulations applicable pursuant to the CRR for the purposes of individual and consolidated prudential supervision, respectively of Banco Desio and the Banco Desio Banking Group.

Worthy of note is the issue in September of the Covered Bond 4% maturing 13/03/2028 for a total amount of Euro 400 million. This was the first European Covered Bond (Premium) issue realised by Banco Desio in compliance with the new European directive implemented in Italy in March. The transaction, which was realised with a spread at issuance of +75 bps over the mid-swap rate, attracted particularly strong demand (around Euro 900 million) from a considerable number of investors from different geographic areas.

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

Graph No. 7 - TREND IN DIRECT INFLOWS IN RECENT YEARS



#### Indirect inflows

Indirect inflows recorded a balance of Euro 20.1 billion (+17.5%). Inflows from ordinary customers amounted to Euro 12.7 billion, an increase of 25.1% compared to the end of the previous year, attributable to the performance of assets under administration (+46.8%) and assets under management (+15.6%).

At 36.8%, inflows from institutional customers reached a balance of about Euro 7.4 billion, up 6.4% compared to the previous year's balance.

Table No. 11 - INDIRECT INFLOWS

| Amounts in Euro thousands                                  | 31.12.2023        | Incidence %   | 31.12.2022        | Incidence %   | Changes          |              |
|------------------------------------------------------------|-------------------|---------------|-------------------|---------------|------------------|--------------|
|                                                            |                   |               |                   |               | Value            | %            |
| <b>Assets under Administration</b>                         | <b>4,541,442</b>  | <b>22.6%</b>  | <b>3,093,362</b>  | <b>18.1%</b>  | <b>1,448,080</b> | <b>46.8%</b> |
| <b>Assets under Management</b>                             | <b>8,142,227</b>  | <b>40.6%</b>  | <b>7,041,965</b>  | <b>41.2%</b>  | <b>1,100,262</b> | <b>15.6%</b> |
| Asset management                                           | 1,230,806         | 6.1%          | 1,148,834         | 6.7%          | 81,972           | 7.1%         |
| Mutual funds and Sicav                                     | 3,923,722         | 19.5%         | 3,277,442         | 19.2%         | 646,280          | 19.7%        |
| Banking-insurance products                                 | 2,987,699         | 15.0%         | 2,615,689         | 15.3%         | 372,010          | 14.2%        |
| <b>Inflows from ordinary customers</b>                     | <b>12,683,669</b> | <b>63.2%</b>  | <b>10,135,327</b> | <b>59.3%</b>  | <b>2,548,342</b> | <b>25.1%</b> |
| <b>Inflows from institutional customers <sup>(1)</sup></b> | <b>7,391,538</b>  | <b>36.8%</b>  | <b>6,947,288</b>  | <b>40.7%</b>  | <b>444,250</b>   | <b>6.4%</b>  |
| Assets under Administration                                | 6,741,530         | 33.6%         | 6,254,755         | 36.6%         | 486,775          | 7.8%         |
| Assets under Management                                    | 650,008           | 3.2%          | 692,533           | 4.1%          | -42,525          | -6.1%        |
| <b>Indirect inflows <sup>(1)</sup></b>                     | <b>20,075,207</b> | <b>100.0%</b> | <b>17,082,615</b> | <b>100.0%</b> | <b>2,992,592</b> | <b>17.5%</b> |

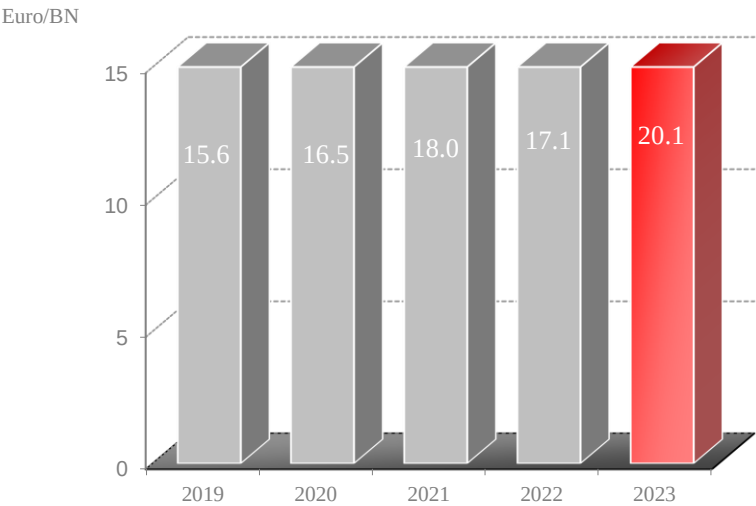
(1) Inflows from institutional customers include securities on deposit underlying the Bancassurance segment of ordinary customers amounting to about Euro 2.1 billion (at 31.12.2022 about Euro 2.1 billion).

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.



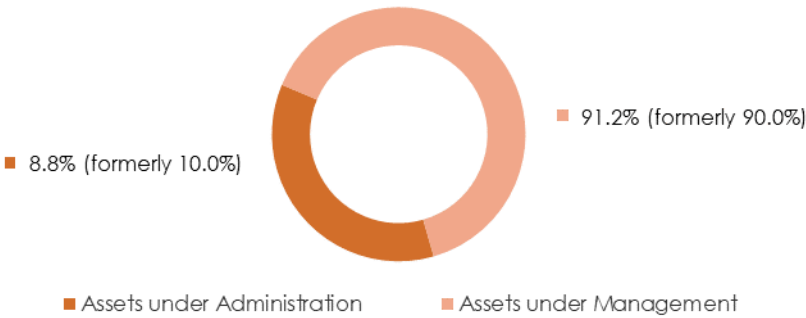
The histogram below depicts the trend in indirect inflows over the past few years, which shows a compound average annual growth rate of 6.7% as of 2019.

Graph No. 8 - **TRENDS IN INDIRECT INFLOWS IN RECENT YEARS**

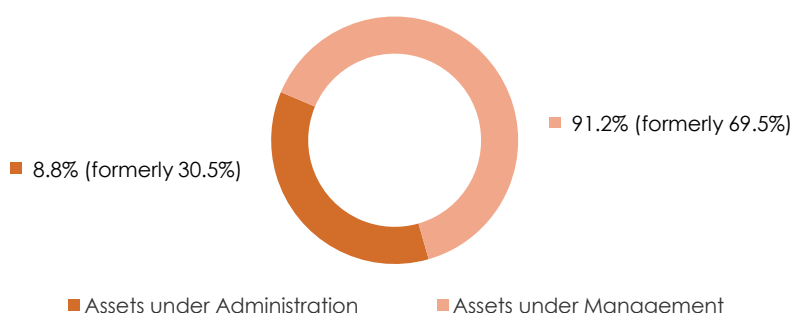


The following graph shows the percentage composition of indirect inflows from ordinary customers by segment, while the next one focuses on the breakdown of assets under management by component. Compared to the previous year's results, there was a greater weighting in favour of the asset under management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

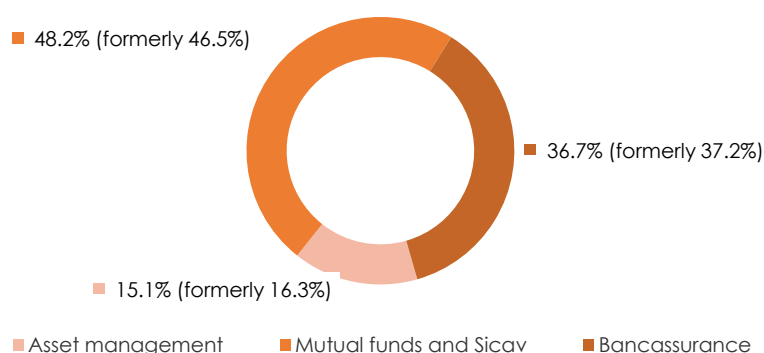
Graph No. 9 - **BREAKDOWN OF INDIRECT INFLOWS FROM ORDINARY CUSTOMERS BY SEGMENT AT 31.12.2023**



Graph No. 10 - BREAKDOWN OF INDIRECT INFLOWS FROM INSTITUTIONAL CUSTOMERS BY SEGMENT AT 31.12.2023



Graph No. 11 - BREAKDOWN OF INDIRECT INFLOWS BY ASSET UNDER MANAGEMENT COMPONENTS AT 31.12.2023



In continuity with 2022, the year 2023 was initially characterised by high levels of inflation, growing concern and restrictive manoeuvres by the monetary authorities, only to show, in the last quarter of the year, a decline in rates mainly due to the increased belief that the Federal Reserve in the US and the European Central Bank in the Eurozone had completed the long phase of rate hikes. The conviction emerged when the US slowdown began to be compounded by the similar trend that had emerged in the Euro Area and China over the summer. The signs of declining inflation confirmed the arguments in favour of ending the restrictive monetary policy cycle. The central banks have meanwhile made it clear that the basic approach remains that of “high rates for a long time”, reserving the possibility of further rises in the event of particularly violent external events. In bond management, the duration was kept above that of the benchmark throughout the period.

Within the portfolios, the preference for government bonds with intermediate maturities was confirmed in order to take advantage of the inverted slope of the yield curves. The riskiest component was allocated between investment grade corporate, especially bank issues, and emerging market bonds.

In equities, the main indices achieved positive returns in the fourth quarter of the year, albeit in a volatile context. After a month in October 2023 in which rising bond yields unnerved investors by prompting significant selling, subsequent words from central bankers, together with moderate inflation data, fuelled a significant increase. Geographically, returns were fairly homogeneous, while on the product side, technology and the more cyclical sectors performed better. In equity management, an underweight position was maintained in the belief that stock market values were discounting an overly positive scenario. Geographically, the preference for the United States was confirmed, while the rest of the world was underweighted. Among sectors, the preference for technology, basic resources and stable consumption was maintained at the expense of industrials, financials and cyclical consumption. Large capitalisation and high dividend stocks were also favoured.

## 8.2 - Credit management: loans to customers

The total value of loans to customers at 31 December 2023 amounted to approximately Euro 11.7 billion, up 1.5% compared to the balance at year-end 2022, and includes loans arising from the acquisition of business units from the BPER Group valued according to the criteria defined by the definitive 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.

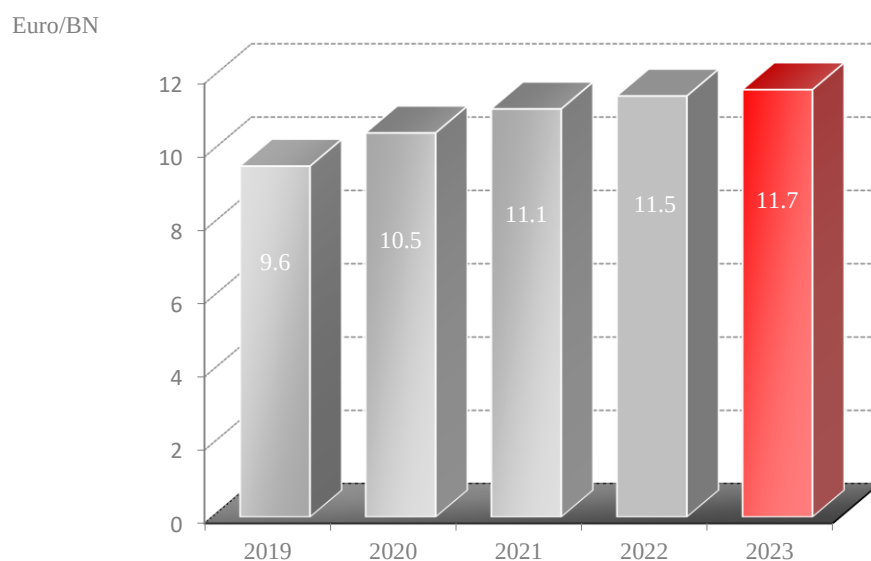
With reference to the possible repercussions on the quality of the loan portfolio deriving first of all from the conflict between Russia and Ukraine and, more generally, from the growing international geopolitical tensions, as recalled in the disclosure “Risks, uncertainties and impacts arising from war conflicts, residual effects of the Covid-19 epidemic, climate risk and the macroeconomic context” in “Part A - Accounting Policies” of the Notes, the direct exposure of the Bank and its customers is rather limited.

On the overall portfolio, the Credit Department continued its monitoring activities, whose analysis of the positions revealed an increase in the deterioration of existing credit facilities - albeit at levels in line with the pre-pandemic period - on which risk containment and management actions were activated. 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 allowed SMEs to apply for access to MCC-guaranteed financing to address liquidity needs related to the economic and financial turmoil caused by the ongoing conflicts and by the measures implemented by the ECB, which led to a significant increase in rates.

With reference to the flooding events that particularly affected the territories of Emilia-Romagna and Tuscany, was the implementation of the provisions of Article 11 of Decree Law No. 61/2023 (so-called Decree Flood Emilia-Romagna), by the Order of the Chief Department of Protection Civil (OCDPC) No. 992 of 8 May 2023, by the Order of the Chief Department of Protection Civil (OCDPC) No. 1,037 of 5 November 2023, and subsequent integrations.

The histogram below graphically depicts the trend in loans over the last five years, which shows a compound average annual growth rate of +5.1%, due to the growth in volumes during the year, partly offset by the contraction in non-performing loans in previous years.

Graph No. 12 - TREND IN LOANS TO CUSTOMERS IN RECENT YEARS



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

Table No. 12 - LOANS TO CUSTOMERS

| Amounts in Euro thousands                            | 31.12.2023        |               | 31.12.2022        |               | Changes        |             |
|------------------------------------------------------|-------------------|---------------|-------------------|---------------|----------------|-------------|
|                                                      | Incidence %       |               | Incidence %       |               | Value          | %           |
| Mortgages                                            | 8,147,015         | 69.9%         | 8,070,567         | 70.3%         | 76,448         | 0.9%        |
| <i>fixed rate</i>                                    | 4,943,202         | 42.4%         | 4,717,879         | 41.1%         | 225,323        | 4.8%        |
| <i>variable rate</i>                                 | 747,764           | 6.4%          | 579,848           | 5.1%          | 167,916        | 29.0%       |
| <i>mixed rate <sup>(1)</sup></i>                     | 2,456,049         | 21.1%         | 2,772,840         | 24.1%         | -316,791       | -11.4%      |
| Current accounts                                     | 888,054           | 7.6%          | 958,597           | 8.3%          | -70,543        | -7.4%       |
| Finance lease                                        | 154,409           | 1.3%          | 151,027           | 1.3%          | 3,382          | 2.2%        |
| Credit cards, personal loans and salary-backed loans | 1,440,166         | 12.4%         | 1,216,041         | 10.6%         | 224,125        | 18.4%       |
| Other transactions                                   | 1,023,982         | 8.8%          | 1,084,384         | 9.4%          | -60,402        | -5.6%       |
| <b>Loans to customers</b>                            | <b>11,653,626</b> | <b>100.0%</b> | <b>11,480,616</b> | <b>100.0%</b> | <b>173,010</b> | <b>1.5%</b> |

The Group has contributed to supporting families, customers and employees to deal with the current economic situation, offering the possibility of remodulating loan repayment plans. The initiative, promoted by the Parent Company since the beginning of the reference financial year, aimed to mitigate the increase in instalments on variable-rate mortgages by allowing customers to extend the term of the loan up to 5 years without increasing costs.

Customers with variable-rate mortgages, who have seen an increase of at least Euro 100 in their instalments, could in fact benefit from this facilitation measure through direct contact with their reference branch.

In addition, Banco Desio offered a ceiling for further options to dilute payments over time or convert variable-rate mortgages into fixed-rate mortgages, depending on the needs of its customers. For further information <https://www.bancodesio.it/it/content/caro-mutui>.

Within the breakdown of gross loans, including guarantees, the percentage of utilisations attributable to the first 50 customers at the end of the 2023 financial year continues to reflect a high degree of risk fractioning.

Table No. 13 - **CREDIT CONCENTRATION RATIOS ON TOP CUSTOMERS**

| Number of customers | 31.12.2023 | 31.12.2022 |
|---------------------|------------|------------|
| Top 10              | 1.04%      | 1.09%      |
| Top 20              | 1.74%      | 1.85%      |
| Top 30              | 2.34%      | 2.51%      |
| Top 50              | 3.38%      | 3.62%      |

No customer qualifies as a "Large Exposure" for supervisory purposes: the nine "Large Exposure" positions recognised are attributable to tax assets of the bank and Italian government securities, participation in the capital of the Bank of Italy, guarantees provided by the Guarantee Fund L.23.12.1996 N.662, guarantees provided by SACE, exposures with Credit Agricole for liquidity deposited as part of the covered bond transaction and for debt securities included in the proprietary portfolio, exposures with Intesa San Paolo SpA essentially referring to derivatives, debt securities and long-term repos, exposures with Standard Chartered Bank referring to long-term repos and debt securities, exposures with BNP Paribas essentially referring to derivatives, debt securities and long-term repos and repurchase agreement transactions with Cassa di Compensazione e Garanzia, for a total nominal amount of approximately Euro 8.4 billion, corresponding to approximately 0.5 billion in terms of total weighted amount.

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

The proactive management of the non-performing portfolio, characterised during the period by the inflow from BPER branches of non-performing UTP and past-due loans for about Euro 20 million and by disposals of UTP and bad loans for about Euro 100 million, led to the containment of the NPL ratio (3.3% gross and 1.7% net) and an overall coverage level of the loan portfolio of 2.5% in line with the previous year.

The overall coverage of non-performing loans stood at 48.8% (formerly 49.6%). Compared to the situation at 31 December 2022, there is an increased level of coverage across all risk stages; the overall level of coverage declines solely due to a different mix of bad loans and UTP and the increased incidence of MCC-guaranteed positions. Total net non-performing loans, consisting of bad loans, unlikely to pay as well as impaired past-due and/or overdrawn exposures, amounted to Euro 200.3 million, net of value adjustments of Euro 191.0 million, an increase of Euro 1.9 million compared to Euro 198.4 million at the end of 2022. In particular, there were net bad loans of Euro 47.9 million (formerly Euro 59.8 million), net unlikely to pay of Euro 139.7 million (formerly Euro 131.9 million) and net impaired past-due and/or overdrawn exposures of Euro 12.7 million (formerly Euro 6.7 million).

Non-performing exposures, although in a more difficult market context for new mortgage disbursements, grew due to the acquisition of the BPER units and the positive contribution of consumer lending; the overall coverage of the performing portfolio stood at 0.97%, up from 0.88% at 31 December 2022, reflecting the caution linked to the complex macro-economic context of reference.

The table below summarises the gross and net indicators of credit risk and the relative coverage levels (the values shown therein are grossed up by the amount related to the lower fair value of the impaired acquired loans of the Lanternina perimeter).

Thus, Euro 838.8 million related to bad loans and Euro 3.9 million related to unlikely to pay were recorded, for a total of Euro 4.7 million.

Table No. 14 - INDICATORS OF THE RISKINESS OF LOANS TO CUSTOMERS AND RELATED HEDGES

| Amounts in Euro thousands       | 31.12.2023        |                            |                   |                |                   |                            |
|---------------------------------|-------------------|----------------------------|-------------------|----------------|-------------------|----------------------------|
|                                 | Gross exposure    | Incidence % of total loans | Value adjustments | Coverage ratio | Net exposure      | Incidence % of total loans |
| Bad loans                       | 157,737           | 1.4%                       | (109,847)         | 69.6%          | 47,890            | 0.4%                       |
| Unlikely to pay                 | 218,463           | 1.8%                       | (78,741)          | 36.0%          | 139,722           | 1.2%                       |
| Impaired past-due               | 15,091            | 0.1%                       | (2,390)           | 15.8%          | 12,701            | 0.1%                       |
| <b>Total impaired</b>           | <b>391,291</b>    | <b>3.3%</b>                | <b>(190,978)</b>  | <b>48.8%</b>   | <b>200,313</b>    | <b>1.7%</b>                |
| Stage 1 exposures               | 9,488,837         | 79.4%                      | (15,825)          | 0.17%          | 9,473,012         | 81.3%                      |
| Stage 2 exposures               | 2,076,703         | 17.3%                      | (96,402)          | 4.64%          | 1,980,301         | 17.0%                      |
| <b>Performing exposures</b>     | <b>11,565,540</b> | <b>96.7%</b>               | <b>(112,227)</b>  | <b>0.97%</b>   | <b>11,453,313</b> | <b>98.3%</b>               |
| <b>Total loans to customers</b> | <b>11,956,831</b> | <b>100.0%</b>              | <b>(303,205)</b>  | <b>2.5%</b>    | <b>11,653,626</b> | <b>100.0%</b>              |

| Amounts in Euro thousands       | 31.12.2022        |                            |                   |                |                   |                            |
|---------------------------------|-------------------|----------------------------|-------------------|----------------|-------------------|----------------------------|
|                                 | 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%                       |
| <b>Total impaired</b>           | <b>393,724</b>    | <b>3.3%</b>                | <b>(195,341)</b>  | <b>49.6%</b>   | <b>198,383</b>    | <b>1.7%</b>                |
| 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%                      |
| <b>Performing exposures</b>     | <b>11,382,971</b> | <b>96.7%</b>               | <b>(100,738)</b>  | <b>0.88%</b>   | <b>11,282,233</b> | <b>98.3%</b>               |
| <b>Total loans to customers</b> | <b>11,776,695</b> | <b>100.0%</b>              | <b>(296,079)</b>  | <b>2.5%</b>    | <b>11,480,616</b> | <b>100.0%</b>              |

At 31 December 2023, the coverage on non-performing loans net of government guarantees (MCC and SACE) was 55.0% (formerly 53.8% at 31 December 2022).

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

Table No. 15 - INDICATORS ON COVERAGE OF LOANS TO CUSTOMERS

| % Coverage of non-performing and performing loans    | 31.12.2023 | 31.12.2022 |
|------------------------------------------------------|------------|------------|
| % Coverage of bad loans                              | 69.64%     | 67.26%     |
| % Coverage of bad loans before write-offs            | 69.93%     | 67.62%     |
| % Total coverage of non-performing loans             | 48.81%     | 49.61%     |
| % Coverage of non-performing loans before write-offs | 49.01%     | 49.87%     |
| % Coverage of performing loans                       | 0.97%      | 0.88%      |

### 8.3 - The securities portfolio and the interbank position

At 31 December 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. 16 - FINANCIAL ASSETS: COMPOSITION OF THE BANK'S OWNERSHIP PORTFOLIO

| Amounts in Euro thousands                           | 31.12.2023       | Incidence %   | 31.12.2022       | Incidence %   | Changes        |              |
|-----------------------------------------------------|------------------|---------------|------------------|---------------|----------------|--------------|
|                                                     |                  |               |                  |               | Value          | %            |
| <b>Securities portfolio and derivatives (FVTPL)</b> | <b>180,706</b>   | <b>4.6%</b>   | <b>198,919</b>   | <b>5.0%</b>   | <b>-18,213</b> | <b>-9.2%</b> |
| Debt securities                                     | 1,850            |               | 18,659           |               |                |              |
| Equity securities                                   | 4,890            |               | 5,704            |               |                |              |
| Mutual funds and SICAV                              | 150,840          |               | 112,817          |               |                |              |
| Trading and hedging derivatives                     | 23,126           |               | 61,739           |               |                |              |
| <b>Banking book (FVOCI)</b>                         | <b>835,465</b>   | <b>21.1%</b>  | <b>842,346</b>   | <b>21.0%</b>  | <b>-6,881</b>  | <b>-0.8%</b> |
| Debt securities                                     | 822,257          |               | 827,845          |               |                |              |
| Equity securities                                   | 13,208           |               | 14,501           |               |                |              |
| <b>Financial assets at amortised cost (AC)</b>      | <b>2,941,183</b> | <b>74.3%</b>  | <b>2,977,146</b> | <b>74.0%</b>  | <b>-35,963</b> | <b>-1.2%</b> |
| Debt securities (*)                                 | 2,941,183        |               | 2,977,146        |               |                |              |
| <b>Financial assets</b>                             | <b>3,957,354</b> | <b>100.0%</b> | <b>4,018,411</b> | <b>100.0%</b> | <b>-61,057</b> | <b>-1.5%</b> |
| <b>of which Securities Portfolio</b>                | <b>3,934,228</b> | <b>99.4%</b>  | <b>3,956,672</b> | <b>98.5%</b>  | <b>-22,444</b> | <b>-0.6%</b> |

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

The year 2023 was characterised by the continuation of the interest rate increase monetary policies already undertaken by the major Central Banks during 2022. The European Central Bank raised the refinancing rate to 4.5% in September 2023, and has kept it unchanged at that level so far. Bond markets therefore suffered until the current rate plateau was reached, which triggered a recovery in prices. The year also saw a drastic reduction in the inflation rate in the Eurozone (from 8.6% in January 2023 to 2.9% in December 2023); this movement led markets to estimate progressive interest rate cuts during 2024.

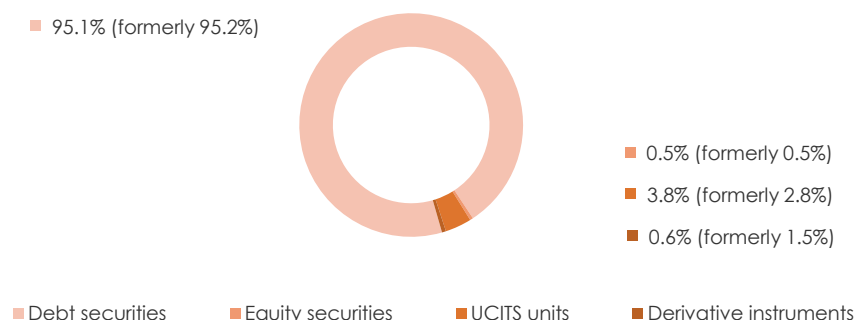
These expectations also gave support to the stock markets which, although in a context of continuing recessionary fears, only partially realised, filed excellent results, with growth of 19.19% for the Eurostoxx 50 index, +24.23% for the S&P and even better for the FTSEMIB with +28.03%. The Shanghai stock exchange bucked the trend significantly, with the CSI 300 down 11.38%.



The management of the Held to Collect portfolio pursued the reinvestment of maturing securities while maintaining a constant duration (gross of hedges). The invested amount of the total portfolios, net of the recovery in value of bonds in the last quarter of the year, was also substantially stable.

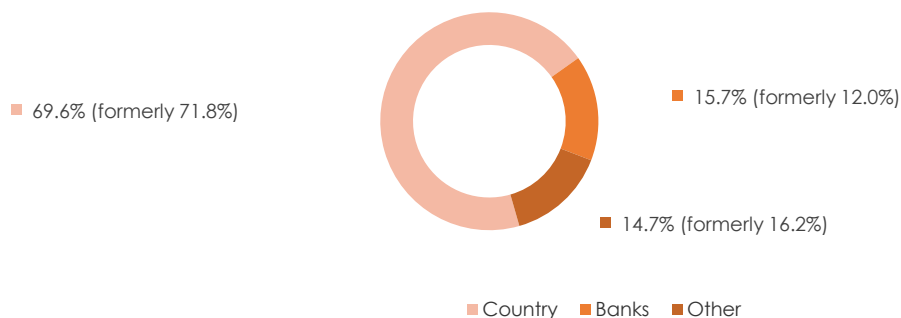
Of note is the significant increase in interest income during the year, particularly resulting from the increased profitability of variable-rate securities and the reinvestment, on improved terms, of maturing bonds.

Graph No. 13 - % **BREAKDOWN OF FINANCIAL ASSETS AT 31.12.2023 BY SECURITY TYPE**



With reference to the issuers of securities, the overall portfolio at the end of the financial year consisted of 69.6% government securities, 15.7% securities of primary banking issuers and the remainder of other issuers, as shown graphically below.

Graph No. 14 - % **BREAKDOWN OF FINANCIAL ASSETS AT 31.12.2023 BY ISSUER TYPE**



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.

#### *Exposures held in sovereign debt securities*

With reference to document No. 2011/266 published on 28 July 2011 by the European Securities and Markets Authority (ESMA) concerning the disclosure relating to sovereign risk to be included in the annual and semi-annual financial reports prepared by listed companies that adopt IAS/IFRS, the positions referring to 31 December 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. 17 - SOVEREIGN DEBT SECURITIES: COMPOSITION BY PORTFOLIO AND ISSUER

| Amounts in Euro thousands                                                  |                        | 31.12.2023       |               |                |                  | 31.12.2022       |               |                |                  |
|----------------------------------------------------------------------------|------------------------|------------------|---------------|----------------|------------------|------------------|---------------|----------------|------------------|
|                                                                            |                        | Italy            | Spain         | United Kingdom | Total            | Italy            | Spain         | United Kingdom | Total            |
| Financial assets measured at fair value through other comprehensive income | Nominal value          | 811,000          |               | 575            | 811,575          | 851,000          |               | 564            | 851,564          |
|                                                                            | Carrying amount        | 782,799          |               | 573            | 783,372          | 798,296          |               | 543            | 798,839          |
| Financial assets measured at amortised cost                                | Nominal value          | 1,905,790        | 65,000        |                | 1,970,790        | 2,048,290        | 65,000        |                | 2,113,290        |
|                                                                            | Carrying amount        | 1,900,006        | 65,172        |                | 1,965,178        | 2,017,013        | 63,880        |                | 2,080,893        |
| <b>Sovereign debt securities</b>                                           | <b>Nominal value</b>   | <b>2,716,790</b> | <b>65,000</b> | <b>575</b>     | <b>2,782,365</b> | <b>2,899,290</b> | <b>65,000</b> | <b>564</b>     | <b>2,964,854</b> |
|                                                                            | <b>Carrying amount</b> | <b>2,682,805</b> | <b>65,172</b> | <b>573</b>     | <b>2,748,550</b> | <b>2,815,309</b> | <b>63,880</b> | <b>543</b>     | <b>2,879,732</b> |

This representation does not include, at 31.12.2023, the investment in HTC securities issued by Invitalia for Euro 3,519 million (Euro 3,519 million at 31.12.2022) and in HTC securities issued by Amco-Asi Ming Co SpA for Euro 2,595 million

Table No. 18 - SOVEREIGN DEBT SECURITIES: COMPOSITION BY PORTFOLIO, ISSUER AND RESIDUAL MATURITY

| Amounts in Euro thousands                                                  |                     |  | Italy            | Spain         | United Kingdom | Romania  | 31.12.2023       |                  |
|----------------------------------------------------------------------------|---------------------|--|------------------|---------------|----------------|----------|------------------|------------------|
|                                                                            |                     |  |                  |               |                |          | Nominal value    | Carrying amount  |
| Financial assets held for trading                                          | up to 1 year        |  |                  |               |                | -        |                  |                  |
|                                                                            | 1 to 3 years        |  |                  |               |                | -        |                  |                  |
|                                                                            | 3 to 5 years        |  |                  |               |                | -        |                  |                  |
|                                                                            | over 5 years        |  |                  |               | 0              | -        |                  |                  |
|                                                                            | Total               |  | -                | -             | -              | -        | -                | -                |
| Financial assets measured at fair value through other comprehensive income | up to 1 year        |  | 430,000          | -             | 575            | -        | 430,575          | 422,547          |
|                                                                            | 1 to 3 years        |  | 30,000           | -             | -              | -        | 30,000           | 30,435           |
|                                                                            | 3 to 5 years        |  | 30,000           | -             | -              | -        | 30,000           | 30,421           |
|                                                                            | over 5 years        |  | 321,000          | -             | -              | -        | 321,000          | 299,969          |
|                                                                            | Total               |  | 811,000          | -             | 575            | -        | 811,575          | 783,372          |
| Financial assets measured at amortised cost                                | up to 1 year        |  | 145,000          | -             | -              | -        | 145,000          | 144,808          |
|                                                                            | 1 to 3 years        |  | 245,000          | -             | -              | -        | 245,000          | 244,499          |
|                                                                            | 3 to 5 years        |  | 479,790          | -             | -              | -        | 479,790          | 475,793          |
|                                                                            | over 5 years        |  | 1,036,000        | 65,000        | -              | -        | 1,101,000        | 1,100,078        |
|                                                                            | Total               |  | 1,905,790        | 65,000        | -              | -        | 1,970,790        | 1,965,178        |
| <b>Sovereign debt securities</b>                                           | <b>up to 1 year</b> |  | <b>575,000</b>   | <b>-</b>      | <b>575</b>     | <b>-</b> | <b>575,575</b>   | <b>567,355</b>   |
|                                                                            | <b>1 to 3 years</b> |  | <b>275,000</b>   | <b>-</b>      | <b>-</b>       | <b>-</b> | <b>275,000</b>   | <b>274,934</b>   |
|                                                                            | <b>3 to 5 years</b> |  | <b>509,790</b>   | <b>-</b>      | <b>-</b>       | <b>-</b> | <b>509,790</b>   | <b>506,214</b>   |
|                                                                            | <b>over 5 years</b> |  | <b>1,357,000</b> | <b>65,000</b> | <b>-</b>       | <b>-</b> | <b>1,422,000</b> | <b>1,400,047</b> |
|                                                                            | <b>Total</b>        |  | <b>2,716,790</b> | <b>65,000</b> | <b>575</b>     | <b>-</b> | <b>2,782,365</b> | <b>2,748,550</b> |

### 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.

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

Table No. 19 - **GROUP DERIVATIVE FINANCIAL INSTRUMENTS: CARRYING AMOUNT**

| Amounts in Euro thousands                           | Carrying amount | 31.12.2022    | Changes        |               |
|-----------------------------------------------------|-----------------|---------------|----------------|---------------|
|                                                     | 31.12.2023      |               | Value          | %             |
| <b>Net hedging derivative financial instruments</b> | <b>6,875</b>    | <b>59,099</b> | <b>-52,224</b> | <b>-88.4%</b> |
| hedging financial assets                            | 21,431          | 59,099        | -37,668        | -63.7%        |
| hedging financial liabilities                       | -14,556         | 0             | -14,556        | n.s.          |
| <b>Net trading derivative financial instruments</b> | <b>-55</b>      | <b>-1,490</b> | <b>1,435</b>   | <b>-96.3%</b> |
| financial assets held for trading                   | 1,695           | 2,639         | -944           | -35.8%        |
| financial liabilities held for trading              | -1,750          | -4,130        | 2,380          | -57.6%        |
| <b>Net derivative financial instruments</b>         | <b>6,820</b>    | <b>57,609</b> | <b>-50,789</b> | <b>-88.2%</b> |

Table No. 20 - **GROUP DERIVATIVE FINANCIAL INSTRUMENTS: NOTIONAL VALUE**

| Amounts in Euro thousands                       | Notional value   | 31.12.2022       | Changes        |               |
|-------------------------------------------------|------------------|------------------|----------------|---------------|
|                                                 | 31.12.2023       |                  | Value          | %             |
| <b>Hedging derivative financial instruments</b> | <b>1,055,000</b> | <b>855,000</b>   | <b>200,000</b> | <b>23.4%</b>  |
| hedging financial assets                        | 445,000          | 855,000          | -410,000       | -48.0%        |
| hedging financial liabilities                   | 610,000          | 0                | 610,000        | n.s.          |
| <b>Trading derivative financial instruments</b> | <b>166,615</b>   | <b>203,958</b>   | <b>-37,343</b> | <b>-18.3%</b> |
| financial assets held for trading               | 83,445           | 97,470           | -14,025        | -14.4%        |
| financial liabilities held for trading          | 83,170           | 106,488          | -23,318        | -21.9%        |
| <b>Total derivative financial instruments</b>   | <b>1,221,615</b> | <b>1,058,958</b> | <b>162,657</b> | <b>15.4%</b>  |

The item "Hedging financial Instruments" includes:

- fair value hedges to neutralise fluctuations in market rates in relation to fixed-rate mortgages with performing credit status;
- micro Fair Value Hedges on HTC securities to neutralise interest rate fluctuations.

Hedging is achieved by negotiating one or more Plain Vanilla Interest Rate Swap contracts, against which the Bank collects variable interest flows and pays fixed interest flows with maturities and periodicities consistent with the hedged items.

Item "Trading financial instruments" refers to the fair value of derivative financial instruments discontinued, for which the hedging relationship was discontinued, and to the fair value of swap and outright contracts that are subject to natural hedges.

In order to streamline capital absorption on exposure to OTC interest rate derivatives, during the year, Banco Desio shifted its operations to a single central clearing counterparty in accordance with Regulation (EU) 648.2012 "EMIR" and subsequent delegates.

#### *Net interbank position*

The Group's net interbank position at 31 December 2023 was a debit position of about Euro 0.1 billion, compared to an always debit balance of about Euro 2.4 billion at the end of the previous year.

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

Table No. 21 - GROUP NET INTERBANK POSITION AT 31 DECEMBER 2023

| Amounts in Euro thousands                    | 31.12.2023       | Incidence %    | 31.12.2022        | Incidence %    | Changes           |   |
|----------------------------------------------|------------------|----------------|-------------------|----------------|-------------------|---|
|                                              |                  |                |                   |                | Value             | % |
| <b>Loans with central banks</b>              | <b>1,579,906</b> | <b>n.s.</b>    | <b>848,063</b>    | <b>36.0%</b>   | <b>731,844</b>    |   |
| <b>Loans with banks</b>                      | <b>285,250</b>   | <b>335.9%</b>  | <b>177,325</b>    | <b>7.5%</b>    | <b>107,925</b>    |   |
| Current accounts and demand deposits         | 50,479           | 59.5%          | 59,187            | 2.5%           | -8,708            |   |
| Fixed-term deposits                          | 26,521           | 31.2%          | 9,390             | 0.4%           | 17,131            |   |
| Loans and other receivables                  | 208,250          | 245.3%         | 108,748           | 4.6%           | 99,502            |   |
| <b>Payables to central banks</b>             | <b>1,479,445</b> | <b>n.s.</b>    | <b>3,004,994</b>  | <b>-127.5%</b> | <b>-1,525,549</b> |   |
| <b>Payables to banks</b>                     | <b>470,620</b>   | <b>-554.3%</b> | <b>376,356</b>    | <b>-16.0%</b>  | <b>94,264</b>     |   |
| Current accounts and demand deposits         | 25,388           | -29.9%         | 88,136            | -3.8%          | -62,748           |   |
| Repurchase agreements and securities lending | 445,232          | -524.4%        | 288,220           | -12.2%         | 157,012           |   |
| <b>Net interbank position</b>                | <b>-84,909</b>   | <b>100.0%</b>  | <b>-2,355,963</b> | <b>100%</b>    | <b>2,271,054</b>  |   |

The rise in interest rates was also accompanied by quantitative tightening measures by central banks. In particular, we point out that during the year, the Bank repaid Euro 1.6 billion for the natural maturity of two TLTRO III tranches (June and December 2023, respectively). As shown in the table below, the total position therefore related to the TLTRO III financing currently amounts to Euro 1.445 billion (with maturities in March 2024 for Euro 1 billion and December 2024 for the remaining Euro 445 million).

Table No. 22 - REFINANCING TRANSACTIONS WITH EUROPEAN CENTRAL BANK

| Amounts in Euro thousands                         | 31.12.2023       | Incidence %   | 31.12.2022       | Incidence %   | Changes           |               |
|---------------------------------------------------|------------------|---------------|------------------|---------------|-------------------|---------------|
|                                                   |                  |               |                  |               | Value             | %             |
| 1. TLTRO-III transaction maturity 28/06/2023      | -                | 0.0%          | 400,000          | 13.2%         | -400,000          | -100.0%       |
| 2. TLTRO-III transaction maturity 20/12/2023      | -                | 0.0%          | 1,200,000        | 39.4%         | -1,200,000        | -100.0%       |
| 3. TLTRO-III transaction maturity 27/03/2024      | 1,000,000        | 69.2%         | 1,000,000        | 32.8%         | 0                 | 0.0%          |
| 4. TLTRO-III transaction maturity 18/12/2024      | 445,000          | 30.8%         | 445,000          | 14.6%         | 0                 | 0.0%          |
| <b>Total capital share TLTRO-III transactions</b> | <b>1,445,000</b> | <b>100.0%</b> | <b>3,045,000</b> | <b>100.0%</b> | <b>-1,600,000</b> | <b>-52.5%</b> |

During the year, secured funding activities also continued on a bilateral basis with leading market counterparties through the use of the Senior Notes of the Coppedè securitisations (receivables related to the subsidiary Fides' salary-backed loans) and non-ECB eligible bonds present in the Proprietary Securities Portfolio. For further details, see Part E - Information on risks and related hedging policies of the notes to the consolidated financial statements.

The following table shows details of securities and loans that can be refinanced with the European Central Bank.

Table No. 23 - SECURITIES AND LOANS ELIGIBLE FOR REFINANCING WITH THE ECB AT 31 DECEMBER 2023

| Amounts in Euro thousands | 31.12.2023 | Incidence % | 31.12.2022 | Incidence % | Changes    |        |
|---------------------------|------------|-------------|------------|-------------|------------|--------|
|                           |            |             |            |             | Value      | %      |
| Guarantee Value           | 1,888,786  | 100.0%      | 3,102,657  | 100.0%      | -1,213,871 | -39.1% |
| Committed Portion         | 1,479,124  | 78.3%       | 3,004,825  | 96.8%       | -1,525,701 | -50.8% |
| Portion available         | 409,662    | 21.7%       | 97,832     | 3.2%        | 311,830    | 318.7% |

At 31 December 2023, there were resources available in the centralised treasury, in the so-called Pooling account, referable to securities and loans eligible for refinancing with the European Central Bank, quantifiable in a total amount, net of the foreseen haircuts, of Euro 1,889 million, refinanced in the amount of Euro 1,480 million, and therefore still available in the amount of Euro 244 million (at 31 December 2022, total resources of Euro 3,103 million were present in the Pooling account, of which Euro 3,005 million refinanced and Euro 98 million available)

## 8.4 - Equity and capital adequacy

### *The consolidated equity of the banking group*

Equity attributable to the Parent Company at 31 December 2023, including the profit for the period, totalled Euro 1,354.0 million, compared to Euro 1,122.5 million in the previous year. The positive change of Euro 231.5 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 year with the corresponding values at the consolidated level at 31 December 2023, also explaining the equity and economic effects related to the consolidation of subsidiaries and associates.

Table No. 24 - **RECONCILIATION BETWEEN EQUITY AND NET RESULT OF THE PARENT COMPANY AND CONSOLIDATED FIGURES AT 31.12.2023**

| Amounts in Euro thousands                             | Equity           | of which Profit for the period |
|-------------------------------------------------------|------------------|--------------------------------|
| <b>Balances of the Parent Company Banco Desio</b>     | <b>1,347,800</b> | <b>238,045</b>                 |
| Effect of the consolidation of subsidiaries           | 6,228            | 4,934                          |
| Effect of equity valuation of associates              | -13              | 192                            |
| Dividends for the period                              | -                | -2,810                         |
| <b>Consolidated balances of the Banco Desio Group</b> | <b>1,354,015</b> | <b>240,361</b>                 |

On 25 January 2018, the Board of Directors of the bank, 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 capital 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) as of 30 June 2018 is performed with reference to Brianza Unione di Luigi Gavazzi e Stefano Lado S.A., which, according to European regulations, is the financial parent company of the banking group. 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 and supervisory requirements of the financial parent company

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

Consolidated own funds calculated on the financial parent company Brianza Unione amounted to Euro 1,143.1 million at 31 December 2023 (CET1 + AT1 at Euro 1,000.4 million + T2 at Euro 142.7 million) compared to Euro 989.7 million at the end of the previous year. The Common Equity Tier1 capital ratio was 12.3% (11.0% at 31 December 2022). The Tier1 ratio was 13.2% (11.8% at 31 December 2022), while the Total Capital ratio was 15.0% (12.9% at 31 December 2022).

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

|                                                                                                           | 31.12.2023                         |              |
|-----------------------------------------------------------------------------------------------------------|------------------------------------|--------------|
|                                                                                                           | Application of transitional regime | Fully loaded |
| <b>OWN FUNDS</b>                                                                                          |                                    |              |
| Common Equity Tier 1 (CET1) capital                                                                       | 936,338                            |              |
| Common Equity Tier 1 (CET1) without application of transitional provisions                                |                                    | 923,519      |
| Tier 1 capital                                                                                            | 1,000,427                          |              |
| Tier 1 capital without application of transitional provisions                                             |                                    | 987,345      |
| Total own funds                                                                                           | 1,143,100                          |              |
| Total own funds without application of transitional provisions                                            |                                    | 1,129,678    |
| <b>RISK ASSETS</b>                                                                                        |                                    |              |
| Risk-weighted assets                                                                                      | 7,602,524                          |              |
| Risk-weighted assets without application of transitional provisions                                       |                                    | 7,571,358    |
| <b>SUPERVISORY RATIOS</b>                                                                                 |                                    |              |
| CET 1 capital/Risk-weighted assets (CET1 capital ratio)                                                   | 12.316%                            |              |
| CET 1 capital/Risk-weighted assets (CET1 capital ratio) without application of transitional provisions    |                                    | 12.198%      |
| Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)                                                | 13.159%                            |              |
| Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio) without application of transitional provisions |                                    | 13.041%      |
| Total own funds/Risk-weighted assets (Total capital ratio)                                                | 15.036%                            |              |
| Total own funds/Risk-weighted assets (Total capital ratio) without application of transitional provisions |                                    | 14.920%      |

At 31 December 2023, the “CRR” consolidated ratios of the Brianza Unione Group were therefore above the regulatory thresholds, also considering the limits imposed by the Supervisory Authority through the SREP procedure mentioned above, with a SREP buffer on CET1 equal to 4.7% and on the Total Capital Ratio equal to 3.5%.

### Consolidated own funds and supervisory requirements of the banking group

The Banco Desio Group's consolidated own funds, after a pay out that takes into account the proposals for the allocation of the net profit of the Group companies subject to approval by the respective Shareholders' Meetings, amounted to Euro 1,366.4 million at 31 December 2023 (CET1 + AT1 at Euro 1,306.6 million + T2 at Euro 59.8 million) compared to Euro 1,132.9 million at the end of the previous year. The Common Equity Tier1 capital ratio was 17.2% (14.8% at 31 December 2022). The Tier1 ratio was 17.2% (14.8% as at 31 December 2022), while the Total Capital ratio was also 18.0% (14.8% as at 31 December 2022).

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

|                                                                                                           | 31.12.2023                         |              |
|-----------------------------------------------------------------------------------------------------------|------------------------------------|--------------|
|                                                                                                           | Application of transitional regime | Fully loaded |
| <b>OWN FUNDS</b>                                                                                          |                                    |              |
| Common Equity Tier 1 (CET1) capital                                                                       | 1,306,617                          |              |
| Common Equity Tier 1 (CET1) without application of transitional provisions                                |                                    | 1,283,517    |
| Tier 1 capital                                                                                            | 1,306,618                          |              |
| Tier 1 capital without application of transitional provisions                                             |                                    | 1,283,518    |
| Total own funds                                                                                           | 1,366,391                          |              |
| Total own funds without application of transitional provisions                                            |                                    | 1,343,291    |
| <b>RISK ASSETS</b>                                                                                        |                                    |              |
| Risk-weighted assets                                                                                      | 7,602,531                          |              |
| Risk-weighted assets without application of transitional provisions                                       |                                    | 7,571,366    |
| <b>SUPERVISORY RATIOS</b>                                                                                 |                                    |              |
| CET 1 capital/Risk-weighted assets (CET1 capital ratio)                                                   | 17.187%                            |              |
| CET 1 capital/Risk-weighted assets (CET1 capital ratio) without application of transitional provisions    |                                    | 16.952%      |
| Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)                                                | 17.187%                            |              |
| Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio) without application of transitional provisions |                                    | 16.952%      |
| Total own funds/Risk-weighted assets (Total capital ratio)                                                | 17.973%                            |              |
| Total own funds/Risk-weighted assets (Total capital ratio) without application of transitional provisions |                                    | 17.742%      |

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



## 8.5 - Reclassified Income Statement

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

The criteria for creating the schedule are summarised as follows:

- explication of two aggregates of accounting items, defined as "Operating Income" and "Operating Expenses", the algebraic balance of which determines the "Result from Operations";
- division of Profit (Loss) for the period between "Current result after tax" and "Non-recurring Profit (Loss) after taxes";
- "Operating income" also includes the balance of item 230, "Other operating income/expenses", albeit net of tax recoveries for stamp duty on customers' statements and securities deposits and substitute tax on m/l-term loans, recoveries on legal expenses as well as amortisation of leasehold improvements, reclassified respectively as a reduction to item 180b) "Other administrative expenses" and as an increase to item 220 "Net value adjustments/reversals on intangible assets" under "Operating expenses";
- time value components of impaired financial assets (calculated on the basis of the original effective interest rate) and interest adjustments related to 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", which came into force on 1 January 2019, recognised in the accounts under item "20. Interest expenses and similar charges" and under item "210 Net value adjustments on tangible assets" are reclassified under item "190 b) Other administrative expenses", where the charges incurred on these contracts were recognised in the comparison period;
- ordinary contributions to the Resolution Fund ("SRM") and Deposit Guarantee Scheme ("DGS") are transferred from item "160 b) Other administrative expenses" to the item "Banking system expenses";
- provisions relating to actions for revocation on disputed loans are reclassified from item 200 "Net provisions for risks and charges - other" to item "Cost of credit", both of which are subsequent to "Result from operations";

- provisions, expenses and income of an extraordinary or "one-off" nature are reclassified under Extraordinary allocations to provisions for risks and charges, other allocations, "one-off" expenses and revenues;
- the tax effect on non-recurring Profit (Loss) is reclassified, together with tax components of an extraordinary nature, from item 300 "Income taxes on current operations" to item "Income taxes on non-recurring items".

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

The profit for the year increased by about Euro 158.9 million (+195.1%), mainly benefiting from the positive non-recurring effects of the acquisition of the BPER Group's business units with the recognition of the gross final badwill of Euro 66.1 million resulting from the final 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 98.1 million.

Table No. 25 - RECLASSIFIED INCOME STATEMENT

| Items                             |                                                                                                     |            |            | Changes |         |
|-----------------------------------|-----------------------------------------------------------------------------------------------------|------------|------------|---------|---------|
| Amounts in Euro thousands         |                                                                                                     | 31.12.2023 | 31.12.2022 | Value   | %       |
| 10+20                             | Net interest income                                                                                 | 358,523    | 273,855    | 84,668  | 30.9%   |
| 70                                | Dividends and similar income                                                                        | 600        | 601        | -1      | -0.2%   |
| 40+50                             | Net commissions                                                                                     | 206,570    | 198,141    | 8,429   | 4.3%    |
| 80+90+100+                        | Net result of financial assets and liabilities                                                      | 12,352     | 10,394     | 1,958   | 18.8%   |
| 110                               |                                                                                                     |            |            |         |         |
| 230                               | Other operating income/expenses                                                                     | 3,028      | 3,109      | -81     | -2.6%   |
| Operating income                  |                                                                                                     | 581,073    | 486,100    | 94,973  | 19.5%   |
| 190 a                             | Personnel expenses                                                                                  | -205,600   | -176,099   | -29,501 | 16.8%   |
| 190 b                             | Other administrative expenses                                                                       | -102,752   | -86,856    | -15,896 | 18.3%   |
| 210+220                           | Net value adjustments on tangible and intangible assets                                             | -12,488    | -10,061    | -2,427  | 24.1%   |
| Operating expenses                |                                                                                                     | -320,840   | -273,016   | -47,824 | 17.5%   |
| Result from operations            |                                                                                                     | 260,233    | 213,084    | 47,149  | 22.1%   |
| 130a+100a                         | Cost of credit                                                                                      | -68,009    | -57,870    | -10,139 | 17.5%   |
| 130 b                             | Net value adjustments on own securities                                                             | -4,389     | -2,973     | -1,416  | 47.6%   |
| 140                               | Gains/losses from contractual amendments without derecognition                                      | 88         | 8          | 80      | n.s.    |
| 200 a                             | Net allocations to provisions for risks and charges - commitments and guarantees given              | -300       | 453        | -753    | n.s.    |
| 200 b                             | Net allocations to provisions for risks and charges - other                                         | -7,716     | -3,390     | -4,326  | 127.6%  |
|                                   | Charges related to the banking system                                                               | -13,945    | -14,481    | 536     | -3.7%   |
| 250                               | Gains (Losses) on investments                                                                       | 192        | -16        | 208     | n.s.    |
| Current result before taxes       |                                                                                                     | 166,154    | 134,815    | 31,339  | 23.2%   |
| 300                               | Income taxes on current operations                                                                  | -54,888    | -44,240    | -10,648 | 24.1%   |
| Current result after taxes        |                                                                                                     | 111,266    | 90,575     | 20,691  | 22.8%   |
| 260                               | Net result of fair value measurement of tangible and intangible assets                              | -160       | 0          | -160    | n.s.    |
| 280                               | Gains (losses) on disposal of investments                                                           | 0          | -54        | 54      | -100.0% |
|                                   | Allocations to provisions for risks and charges, other allocations, "one-off" expenses and revenues | 138,075    | -15,395    | 153,470 | n.s.    |
| Non-recurring result before taxes |                                                                                                     | 137,915    | -15,449    | 153,364 | n.s.    |
|                                   | Income taxes on non-recurring items                                                                 | -8,820     | 6,337      | -15,157 | n.s.    |
| Non-recurring result after taxes  |                                                                                                     | 129,095    | -9,112     | 138,207 | n.s.    |
| 330                               | Profit (Loss) for the year                                                                          | 240,361    | 81,463     | 158,898 | 195.1%  |
| 340                               | Profit (Loss) for the period attributable to minority interests                                     | 0          | 0          |         |         |
| 350                               | Profit (Loss) for the period attributable to the Parent Company                                     | 240,361    | 81,463     | 158,898 | 195.1%  |

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

Table No. 26 - RECONCILIATION OF FINANCIAL STATEMENTS AND RECLASSIFIED INCOME STATEMENT AT 31.12.2023

| Items                                                                                               | From Financial Statements |               | Reclassifications                      |                             |                   |                            |                                               |                                         |                                                     |                                                                                                      |                |                                   | Reclassified statement |                 |
|-----------------------------------------------------------------------------------------------------|---------------------------|---------------|----------------------------------------|-----------------------------|-------------------|----------------------------|-----------------------------------------------|-----------------------------------------|-----------------------------------------------------|------------------------------------------------------------------------------------------------------|----------------|-----------------------------------|------------------------|-----------------|
|                                                                                                     | 31.12.2023                |               | Non-performing loans valuation effects | Fidest 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 revenues | System charges | Reclassifications IFRS16 - Leases | Personnel expenses     | Income taxes    |
| Amounts in Euro thousands                                                                           |                           |               |                                        |                             |                   |                            |                                               |                                         |                                                     |                                                                                                      |                |                                   |                        |                 |
| 10<20 Net interest income                                                                           | 370,436                   | -3,770        | -9,306                                 |                             |                   |                            |                                               |                                         |                                                     |                                                                                                      |                | 1,163                             |                        | 358,323         |
| 70 Dividends and similar income                                                                     | 600                       |               |                                        |                             |                   |                            |                                               |                                         |                                                     |                                                                                                      |                |                                   | 600                    | 600             |
| 40<50 Net commissions                                                                               | 195,462                   |               | 9,306                                  | 1,802                       |                   |                            |                                               |                                         |                                                     |                                                                                                      |                |                                   |                        | 204,570         |
| 80+90+100 Net result of financial assets and liabilities +110                                       | -4,789                    |               |                                        |                             |                   |                            |                                               |                                         | 17,141                                              | 0                                                                                                    |                |                                   |                        | 12,352          |
| 230 Other operating income/expenses                                                                 | 83,269                    |               |                                        |                             |                   | -33,962                    |                                               | 1,185                                   |                                                     | -47,464                                                                                              |                |                                   |                        | 3,028           |
| <b>Operating income</b>                                                                             | <b>644,978</b>            | <b>-3,770</b> | <b>0</b>                               | <b>1,802</b>                | <b>0</b>          | <b>-33,962</b>             | <b>0</b>                                      | <b>1,185</b>                            | <b>17,141</b>                                       | <b>-47,464</b>                                                                                       | <b>0</b>       | <b>1,163</b>                      | <b>0</b>               | <b>581,073</b>  |
| 190 a Personnel expenses                                                                            | -205,594                  |               |                                        |                             |                   |                            |                                               |                                         |                                                     | 6                                                                                                    |                |                                   | -12                    | -205,600        |
| 190 b Other administrative expenses                                                                 | -146,216                  |               |                                        |                             |                   | 33,962                     |                                               | -1,185                                  |                                                     | 3,314                                                                                                | 18,090         | -11,902                           |                        | -102,752        |
| 210<220 Net value adjustments on tangible and intangible assets                                     | -22,042                   |               |                                        |                             |                   |                            |                                               |                                         |                                                     |                                                                                                      |                | 10,739                            |                        | -12,488         |
| <b>Operating expenses</b>                                                                           | <b>-373,852</b>           | <b>0</b>      | <b>0</b>                               | <b>0</b>                    | <b>0</b>          | <b>33,962</b>              | <b>0</b>                                      | <b>-1,185</b>                           | <b>0</b>                                            | <b>3,320</b>                                                                                         | <b>18,090</b>  | <b>-11,63</b>                     | <b>-12</b>             | <b>-320,840</b> |
| <b>Result from operations</b>                                                                       | <b>271,126</b>            | <b>-3,770</b> | <b>0</b>                               | <b>1,802</b>                | <b>0</b>          | <b>0</b>                   | <b>0</b>                                      | <b>0</b>                                | <b>17,141</b>                                       | <b>-44,144</b>                                                                                       | <b>18,090</b>  | <b>0</b>                          | <b>-12</b>             | <b>240,233</b>  |
| 130a+100a Cost of credit                                                                            | -58,614                   | 3,770         |                                        |                             |                   |                            | 4,380                                         |                                         | -17,141                                             | -404                                                                                                 |                |                                   |                        | -68,009         |
| 130 b Net value adjustments on own securities                                                       | -9                        |               |                                        |                             |                   |                            | -4,380                                        |                                         |                                                     |                                                                                                      |                |                                   |                        | -4,389          |
| 140 Gains/losses from contractual amendments without derecognition                                  | 88                        |               |                                        |                             |                   |                            |                                               |                                         |                                                     |                                                                                                      |                |                                   | 88                     | 88              |
| 200 a Net allocations to provisions for risks and charges - commitments and guarantees given        | -300                      |               |                                        |                             |                   |                            |                                               |                                         |                                                     |                                                                                                      |                |                                   |                        | -300            |
| 200 b Net allocations to provisions for risks and charges - other                                   | -8,120                    |               |                                        |                             |                   |                            |                                               |                                         | 404                                                 |                                                                                                      | -13,945        |                                   |                        | -7,716          |
| Charges related to the banking system                                                               |                           |               |                                        |                             |                   |                            |                                               |                                         | 0                                                   |                                                                                                      |                |                                   |                        | -13,945         |
| 250 Gains (Losses) on investments                                                                   | 192                       |               |                                        |                             |                   |                            |                                               |                                         |                                                     |                                                                                                      |                |                                   |                        | 192             |
| <b>Current result before taxes</b>                                                                  | <b>204,343</b>            | <b>0</b>      | <b>0</b>                               | <b>1,802</b>                | <b>0</b>          | <b>0</b>                   | <b>0</b>                                      | <b>0</b>                                | <b>0</b>                                            | <b>-44,144</b>                                                                                       | <b>4,145</b>   | <b>0</b>                          | <b>-12</b>             | <b>166,154</b>  |
| Income taxes on current operations                                                                  | -61,567                   |               |                                        |                             |                   |                            |                                               |                                         |                                                     |                                                                                                      |                |                                   | 6,979                  | -54,888         |
| <b>Current result after taxes</b>                                                                   | <b>142,496</b>            | <b>0</b>      | <b>0</b>                               | <b>1,802</b>                | <b>0</b>          | <b>0</b>                   | <b>0</b>                                      | <b>0</b>                                | <b>0</b>                                            | <b>-44,144</b>                                                                                       | <b>4,145</b>   | <b>0</b>                          | <b>-12</b>             | <b>111,266</b>  |
| 260 Net result of fair value measurement of tangible and intangible assets                          | -160                      |               |                                        |                             |                   |                            | 0                                             |                                         |                                                     |                                                                                                      |                |                                   |                        | -160            |
| Allocations to provisions for risks and charges, other allocations, "one-off" expenses and revenues | 0                         |               |                                        |                             |                   |                            | 0                                             |                                         |                                                     | 142,220                                                                                              | -4,145         |                                   |                        | 138,075         |
| <b>Non-recurring result before taxes</b>                                                            | <b>-160</b>               | <b>0</b>      | <b>0</b>                               | <b>0</b>                    | <b>0</b>          | <b>0</b>                   | <b>0</b>                                      | <b>0</b>                                | <b>0</b>                                            | <b>142,220</b>                                                                                       | <b>-4,145</b>  | <b>0</b>                          | <b>0</b>               | <b>137,915</b>  |
| Income taxes on non-recurring items                                                                 |                           |               |                                        |                             |                   |                            |                                               |                                         |                                                     |                                                                                                      |                |                                   |                        |                 |
| <b>Non-recurring result after taxes</b>                                                             | <b>-160</b>               | <b>0</b>      | <b>0</b>                               | <b>0</b>                    | <b>0</b>          | <b>0</b>                   | <b>0</b>                                      | <b>0</b>                                | <b>0</b>                                            | <b>142,220</b>                                                                                       | <b>-4,145</b>  | <b>0</b>                          | <b>0</b>               | <b>-8,820</b>   |
| Profit (Loss) from discontinued operations after taxes                                              | 98,025                    |               |                                        |                             | -1,802            |                            |                                               |                                         |                                                     | -98,076                                                                                              |                |                                   | 12                     | 0               |
| <b>Profit (Loss) for the year</b>                                                                   | <b>240,361</b>            | <b>0</b>      | <b>0</b>                               | <b>0</b>                    | <b>0</b>          | <b>0</b>                   | <b>0</b>                                      | <b>0</b>                                | <b>0</b>                                            | <b>0</b>                                                                                             | <b>0</b>       | <b>0</b>                          | <b>0</b>               | <b>240,361</b>  |
| Profit (Loss) for the period attributable to minority interests                                     | 0                         |               |                                        |                             |                   |                            |                                               |                                         |                                                     |                                                                                                      |                |                                   |                        | 0               |
| <b>Profit (Loss) for the period attributable to the Parent Company</b>                              | <b>240,361</b>            | <b>0</b>      | <b>0</b>                               | <b>0</b>                    | <b>0</b>          | <b>0</b>                   | <b>0</b>                                      | <b>0</b>                                | <b>0</b>                                            | <b>0</b>                                                                                             | <b>0</b>       | <b>0</b>                          | <b>0</b>               | <b>240,361</b>  |

TABLE 27 - RECONCILIATION OF FINANCIAL STATEMENTS AND RECLASSIFIED INCOME STATEMENT AT 31.12.2022

| Items                     | From<br>Financial<br>Statements                                                                     | Reclassifications                            |                               |                                   |                                                     |                                                   |                                                              |                                                                                                                           | Reclassified<br>statement |
|---------------------------|-----------------------------------------------------------------------------------------------------|----------------------------------------------|-------------------------------|-----------------------------------|-----------------------------------------------------|---------------------------------------------------|--------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------|---------------------------|
|                           |                                                                                                     | Non-performing<br>loans valuation<br>effects | Fides brokerage<br>commission | Recovery of<br>taxes/expens<br>es | Expected loss<br>on securities at<br>amortised cost | Amortisation<br>for leasehold<br>improvement<br>s | Gains (losses)<br>on sale or<br>repurchase of<br>receivables | Allocations to<br>provisions for<br>risks and<br>charges / other<br>allocations,<br>"one-off"<br>expenses and<br>revenues |                           |
| Amounts in Euro thousands | 31.12.2022                                                                                          |                                              |                               |                                   |                                                     |                                                   |                                                              |                                                                                                                           | 31.12.2022                |
| 10+20                     | Net interest income                                                                                 | 284,778                                      | -3,798                        | -7,841                            |                                                     |                                                   |                                                              |                                                                                                                           | 273,855                   |
| 70                        | Dividends and similar income                                                                        | 601                                          |                               |                                   |                                                     |                                                   |                                                              |                                                                                                                           | 601                       |
| 40+50                     | Gains (Losses) on investments in associates                                                         | 190,300                                      |                               | 7,841                             |                                                     |                                                   |                                                              |                                                                                                                           | 198,141                   |
| 80+90+100                 | Net commissions                                                                                     |                                              |                               |                                   |                                                     |                                                   |                                                              |                                                                                                                           | 0                         |
| +110                      | Net result of financial assets and liabilities                                                      | -10,016                                      | 0                             |                                   |                                                     |                                                   | 20,410                                                       |                                                                                                                           | 10,394                    |
| 230                       | Other operating income/expenses                                                                     | 28,610                                       |                               | -30,128                           |                                                     | 1,395                                             |                                                              | 3,232                                                                                                                     | 3,109                     |
|                           | <b>Operating income</b>                                                                             | <b>494,273</b>                               | <b>-3,798</b>                 | <b>-30,128</b>                    | <b>0</b>                                            | <b>1,395</b>                                      | <b>20,410</b>                                                | <b>3,232</b>                                                                                                              | <b>486,100</b>            |
| 190 a                     | Personnel expenses                                                                                  | -176,113                                     |                               |                                   |                                                     |                                                   | 14                                                           |                                                                                                                           | -176,099                  |
| 190 b                     | Other administrative expenses                                                                       | -130,097                                     |                               |                                   |                                                     |                                                   | 5,334                                                        |                                                                                                                           | -86,856                   |
| 210+220                   | Net value adjustments on tangible and intangible assets                                             | -18,290                                      |                               | 30,128                            |                                                     | -1,395                                            |                                                              |                                                                                                                           | -10,061                   |
|                           | <b>Operating expenses</b>                                                                           | <b>-324,500</b>                              | <b>0</b>                      | <b>30,128</b>                     | <b>0</b>                                            | <b>-1,395</b>                                     | <b>5,348</b>                                                 | <b>-716</b>                                                                                                               | <b>-273,016</b>           |
|                           | <b>Result from operations</b>                                                                       | <b>169,773</b>                               | <b>-3,798</b>                 | <b>0</b>                          | <b>0</b>                                            | <b>0</b>                                          | <b>20,410</b>                                                | <b>8,580</b>                                                                                                              | <b>213,084</b>            |
| 130a+100a                 | Cost of credit                                                                                      | -42,759                                      |                               |                                   | 2,813                                               |                                                   |                                                              |                                                                                                                           | -57,870                   |
| 130 b                     | Net value adjustments on own securities                                                             | -160                                         | 3,798                         |                                   | -2,813                                              |                                                   | -20,410                                                      | -1,312                                                                                                                    | -2,973                    |
| 140                       | Gains/losses from contractual amendments without derecognition                                      | 8                                            |                               |                                   |                                                     |                                                   |                                                              |                                                                                                                           | 8                         |
| 200 a                     | Net allocations to provisions for risks and charges - commitments and guarantees given              | 453                                          |                               |                                   |                                                     |                                                   |                                                              |                                                                                                                           | 453                       |
| 200 b                     | Net allocations to provisions for risks and charges - other                                         | -7,879                                       |                               |                                   |                                                     |                                                   |                                                              | 4,489                                                                                                                     | -3,390                    |
| 250                       | Charges related to the banking system                                                               |                                              |                               |                                   |                                                     |                                                   |                                                              | -14,481                                                                                                                   | -14,481                   |
|                           | Gains (Losses) on investments                                                                       | -16                                          |                               |                                   |                                                     |                                                   |                                                              |                                                                                                                           | -16                       |
|                           | <b>Current result before taxes</b>                                                                  | <b>119,420</b>                               | <b>0</b>                      | <b>0</b>                          | <b>0</b>                                            | <b>0</b>                                          | <b>0</b>                                                     | <b>11,757</b>                                                                                                             | <b>134,815</b>            |
| 300                       | Income taxes for the year on current operations                                                     | -37,903                                      |                               |                                   |                                                     |                                                   |                                                              |                                                                                                                           | -44,240                   |
|                           | <b>Current result after taxes</b>                                                                   | <b>81,517</b>                                | <b>0</b>                      | <b>0</b>                          | <b>0</b>                                            | <b>0</b>                                          | <b>0</b>                                                     | <b>11,757</b>                                                                                                             | <b>90,575</b>             |
| 250+280                   | Net result of fair value measurement of tangible and intangible assets                              | -54                                          |                               |                                   |                                                     |                                                   |                                                              |                                                                                                                           | -54                       |
|                           | Allocations to provisions for risks and charges, other allocations, "one-off" expenses and revenues |                                              |                               |                                   |                                                     |                                                   |                                                              | -1,757                                                                                                                    | -15,395                   |
|                           | <b>Non-recurring profit (loss) before taxes</b>                                                     | <b>-54</b>                                   | <b>0</b>                      | <b>0</b>                          | <b>0</b>                                            | <b>0</b>                                          | <b>0</b>                                                     | <b>-11,757</b>                                                                                                            | <b>-15,449</b>            |
|                           | Income taxes for the year on non-recurring items                                                    |                                              |                               |                                   |                                                     |                                                   |                                                              |                                                                                                                           |                           |
|                           | <b>Non-recurring profit (loss) after taxes</b>                                                      | <b>-54</b>                                   | <b>0</b>                      | <b>0</b>                          | <b>0</b>                                            | <b>0</b>                                          | <b>0</b>                                                     | <b>-11,757</b>                                                                                                            | <b>-9,112</b>             |
| 330                       | <b>Profit (loss) for the period</b>                                                                 | <b>81,463</b>                                | <b>0</b>                      | <b>0</b>                          | <b>0</b>                                            | <b>0</b>                                          | <b>0</b>                                                     | <b>0</b>                                                                                                                  | <b>81,463</b>             |
| 340                       | Profit (Loss) for the period attributable to minority interests                                     | 0                                            |                               |                                   |                                                     |                                                   |                                                              |                                                                                                                           | 0                         |
| 350                       | <b>Profit (Loss) for the period attributable to the Parent Company</b>                              | <b>81,463</b>                                | <b>0</b>                      | <b>0</b>                          | <b>0</b>                                            | <b>0</b>                                          | <b>0</b>                                                     | <b>0</b>                                                                                                                  | <b>81,463</b>             |

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 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 95.0 million (+19.5%) compared to the comparison period, amounting to Euro 581.1 million. The performance is mainly attributable to the growth in net interest income of Euro 84.7 million (+30.9%), net commissions of Euro 8.4 million (+4.3%), the net result from financial assets and liabilities of Euro 2.0 million (+18.8%), partially offset by the limited decrease in other operating income and expenses of Euro 0.1 million (-2.6%).

Finally, dividends, which amounted to Euro 0.6 million (formerly Euro 0.6 million), remained in line with the previous period.

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

Table No. 28 - **BREAKDOWN OF NET COMMISSIONS BY SERVICE TYPE**

| Amounts in Euro thousands            | 31.12.2023     | Incidence %   | 31.12.2022     | Incidence %   | Changes      |             |
|--------------------------------------|----------------|---------------|----------------|---------------|--------------|-------------|
|                                      |                |               |                |               | Value        | %           |
| Financial Instruments                | 19,216         | 9.3%          | 17,872         | 9.0%          | 1,344        | 7.5%        |
| Custody and administration           | 606            | 0.3%          | 591            | 0.3%          | 15           | 2.5%        |
| Payment services                     | 114,794        | 55.6%         | 111,324        | 56.2%         | 3,470        | 3.1%        |
| Distribution of third-party services | 62,330         | 30.2%         | 57,739         | 29.1%         | 4,591        | 8.0%        |
| Other commissions                    | 9,624          | 4.6%          | 10,615         | 5.4%          | -991         | -9.3%       |
| <b>Net commissions</b>               | <b>206,570</b> | <b>100.0%</b> | <b>198,141</b> | <b>100.0%</b> | <b>8,429</b> | <b>4.3%</b> |

The item "Other commissions" mainly includes factoring commissions of Euro 2.2 million (formerly Euro 2.1 million), commissions for mortgage collection expenses of Euro 1.7 million (formerly Euro 1.6 million), commissions for digital banking fees of Euro 2.1 million (formerly Euro 2.0 million).

#### Operating expenses

The aggregate of operating expenses, which includes personnel expenses, other administrative expenses and net value adjustments on tangible and intangible assets, amounted to approximately Euro 320.8 million (Euro 273.0 million in the comparison period), showing an increase compared to the comparison period of respectively Euro 29.5 million (+16.8%), Euro 15.9 million (+18.3%) and Euro 2.4 million (+24.1%).

#### Result from operations

As a result, the result from operations at 31 December 2023 amounted to Euro 260.2 million, an increase of Euro 47.1 million over the comparison period (+22.1%).

#### Current result after taxes

From the *result of operations* of Euro 260.2 million, we arrive at the *current result after tax* of Euro 111.3 million, an increase of 22.8% compared to that of Euro 90.6 million in the comparative period, mainly due to:

- the cost of credit (given by the balance of *Net value adjustments for impairment of loans to customers and gains (losses) on sale or repurchase of loans*), amounting to approximately Euro 68.1 million, compared to Euro 57.9 million in the comparison period;
- net value adjustments on securities owned negative by Euro 4.4 million (negative by Euro 3.0 million in the comparison period);
- net provisions for risks and charges of Euro 8.0 million (Euro 2.9 million in the comparison period) attributable to dispute liabilities;
- charges related to the banking system for ordinary contributions of approximately Euro 14.0 million (Euro 14.5 million in the comparison period);
- income taxes on current operations of Euro 54.9 million (formerly Euro 44.2 million).

#### *Non-recurring operating result after taxes*

At 31 December 2023, there was a non-recurring profit after taxes of Euro 129.1 million (formerly Euro 9.1 million loss). The item essentially consists of:

- the gross proceeds of Euro 98.1 million, net of related administrative costs, from the completion of the transaction for the transfer to Worldline Italia of Banco Desio's merchant acquiring business ("*Aquarius Transaction*");
- the goodwill of Euro 66.1 million resulting from the definitive purchase price allocation (PPA) process related to the acquisition of the 48 bank branches from BPER Banca S.p.A. (formerly Banca Carige S.p.A.) and by Banco di Sardegna S.p.A. with effect from 20 February 2023 ("*Lanternina Transaction*");
- the cost component of Euro 18.6 million to reflect the updated assessment of potential risks to which Banco Desio could be exposed following the preventive seizure of tax credits acquired over time, including the impossibility of offsetting the same<sup>3</sup>;
- the charge of about Euro 4.1 million related to the additional contribution to the "Deposit Guarantee Scheme" requested by the FITD in December;
- expenses amounting to Euro 3.3 million relating to consultancy and IT migration costs associated with the aforementioned Lanternina Transaction.

after the related negative tax effect of Euro 8.8 million.

Non-recurring operating loss after taxes of Euro 9.1 million was achieved in the comparison period. The item essentially consists of:

- Euro 3.2 million for the assessment of potential risks relating to a package of tax credits purchased from third parties and subject to seizure;
- Euro 5.3 million for charges connected to the agreement signed with BPER Banca S.p.A. for the purchase of two Business Units consisting of a total of 48 bank branches ("*Lanternina*" Project);
- Euro 3.6 million related to the additional contribution to the Deposit Protection Fund - "Deposit Guarantee Scheme" requested by the FITD in December 2022;
- Euro 3.2 million referred to the provision for operational risks related to the situation of particular legal uncertainty that has re-emerged in the consumer credit sector.

after the related positive tax effect of Euro 6.3 million. The item Income taxes on non-recurring items also includes the positive economic effect, recognised in February in the amount of Euro 1.5 million, related to

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<sup>3</sup> The assessment of the aforementioned risks necessarily required the application of a significant degree of professional judgement, the main elements of uncertainty of which are attributable to the outcome of the proceedings underway, the identification of the receivables the deductions of which have been assigned are effectively non-existent and the outcome of the initiatives that will be activated by Banco Desio to recover the amounts paid to the entities with respect to which cases of fraud have been ascertained.

a reimbursement request submitted to the Revenue Agency (IRAP for the year 2014 for the business unit transferred to the former subsidiary BPS).

*Profit for the year attributable to the Parent Company*

The sum of the *current result* and the *non-recurring profit*, both after taxes, considering the result attributable to minority interests, determines the profit for the period attributable to the Parent Company at 31 December 2023 of approximately Euro 240.4 million.



## 9- Performance of consolidated companies

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

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

#### Balance sheet values

| Amounts in Euro thousands                              | 31.12.2023 | 31.12.2022 | Changes    |        |
|--------------------------------------------------------|------------|------------|------------|--------|
|                                                        |            |            | abs.       | %      |
| Total assets                                           | 18,511,105 | 17,512,772 | 998,333    | 5.7%   |
| Financial assets                                       | 3,957,354  | 4,018,412  | -61,058    | -1.5%  |
| Cash and cash equivalents <sup>(1)</sup>               | 1,654,697  | 879,414    | 775,283    | 88.2%  |
| Loans with banks <sup>(2)</sup>                        | 282,619    | 216,773    | 65,847     | 30.4%  |
| Loans to customers <sup>(2)</sup>                      | 11,648,092 | 11,472,208 | 175,885    | 1.5%   |
| Tangible assets <sup>(3)</sup>                         | 228,041    | 217,639    | 10,402     | 4.8%   |
| Intangible assets                                      | 34,696     | 12,925     | 21,771     | 168.4% |
| Non-current assets and groups of assets held for sale  | 0          | 1          | -1         | n.s.   |
| Payables to banks                                      | 1,950,065  | 3,381,350  | -1,431,285 | -42.3% |
| Payables to customers <sup>(4) (5)</sup>               | 12,497,939 | 11,113,575 | 1,384,364  | 12.5%  |
| Securities issued                                      | 2,280,448  | 1,536,151  | 744,297    | 48.5%  |
| Equity (including Profit for the period)               | 1,347,800  | 1,118,613  | 229,187    | 20.5%  |
| Own Funds                                              | 1,369,800  | 1,138,412  | 231,387    | 20.3%  |
| Total indirect inflows                                 | 20,075,207 | 17,082,615 | 2,992,592  | 17.5%  |
| of which Indirect inflows from ordinary customers      | 12,683,668 | 10,135,327 | 2,548,341  | 25.1%  |
| of which Indirect inflows from institutional customers | 7,391,539  | 6,947,288  | 444,251    | 6.4%   |

<sup>(1)</sup> At 31 December 2023, Cash and cash equivalents included the current accounts, demand deposits and the amount on demand of Euro 1.5 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)

<sup>(2)</sup> 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 and cash equivalents

<sup>(3)</sup> the balance of the item at 31 December 2023 includes the right of use (RoU Asset) amounting to Euro 54.7 million in respect of operating leases falling under the scope of IFRS 16 Leases, which came into effect as of 1 January 2019

<sup>(4)</sup> 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 IFRS 16

<sup>(5)</sup> Including inflows repurchase agreements with institutional customers in the amount of Euro 608 million (Euro 503 million at 31 December 2022)

#### Income statement values <sup>(6)</sup>

| Amounts in Euro thousands             | 31.12.2023 | 31.12.2022 | Changes |        |
|---------------------------------------|------------|------------|---------|--------|
|                                       |            |            | abs.    | %      |
| Operating income                      | 560,912    | 471,824    | 89,088  | 18.9%  |
| of which Net interest income          | 333,353    | 253,578    | 79,775  | 31.5%  |
| Operating expenses                    | 310,785    | 263,816    | 46,969  | 17.8%  |
| Result from operations                | 250,127    | 208,008    | 42,119  | 20.2%  |
| Charges related to the banking system | 13,945     | 14,481     | -536    | -3.7%  |
| Current result after taxes            | 108,950    | 95,174     | 13,776  | 14.5%  |
| Non-recurring result after taxes      | 129,095    | -6,985     | 136,080 | n.s.   |
| Profit (loss) for the year            | 238,045    | 88,189     | 149,856 | 169.9% |

<sup>(6)</sup> from reclassified Income Statement

## Equity, economic and risk ratios

|                                                                           | 31.12.2023 | 31.12.2022 | Changes<br>abs. |
|---------------------------------------------------------------------------|------------|------------|-----------------|
| Equity/Total assets                                                       | 7.3%       | 6.4%       | 0.9%            |
| Equity/Loans to customers                                                 | 11.6%      | 9.8%       | 1.8%            |
| Equity/Payables to customers                                              | 10.8%      | 10.1%      | 0.7%            |
| Equity/Securities issued                                                  | 59.1%      | 72.8%      | -13.7%          |
| Common Equity Tier1 (CET1)/Risk-weighted assets <sup>(7)</sup>            | 18.6%      | 15.9%      | 2.7%            |
| Total Tier 1 capital (T1)/Risk-weighted assets <sup>(7)</sup>             | 18.6%      | 15.9%      | 2.7%            |
| Total Own funds/Risk-weighted assets (Total capital ratio) <sup>(7)</sup> | 19.5%      | 15.9%      | 3.6%            |
| Financial assets/Total assets                                             | 21.4%      | 22.9%      | -1.5%           |
| Loans with banks/Total assets                                             | 1.5%       | 1.2%       | 0.3%            |
| Loans to customers/Total assets                                           | 62.9%      | 65.5%      | -2.6%           |
| Loans to customers/Direct inflows from customers                          | 78.8%      | 90.7%      | -11.9%          |
| Payables to banks/Total assets                                            | 10.5%      | 19.3%      | -8.8%           |
| Payables to customers/Total assets                                        | 67.5%      | 63.5%      | 4.0%            |
| Securities issued/Total assets                                            | 12.3%      | 8.8%       | 3.5%            |
| Direct inflows from customers/Total assets                                | 79.8%      | 72.2%      | 7.6%            |

|                                                                                      | 31.12.2023 | 31.12.2022 | Changes<br>abs. |
|--------------------------------------------------------------------------------------|------------|------------|-----------------|
| Operating expenses/Operating income (Cost/Income ratio)                              | 55.4%      | 55.9%      | -0.5%           |
| (Operating expenses + Banking-related expenses)/Operating income (Cost/Income ratio) | 57.9%      | 59.0%      | -1.1%           |
| Net interest income/Operating income                                                 | 59.4%      | 53.7%      | 5.7%            |
| Result from operations/Operating income                                              | 44.6%      | 44.1%      | 0.5%            |
| Current result after taxes/Equity <sup>(8)</sup>                                     | 9.8%       | 9.2%       | 0.6%            |
| Profit for the year/Equity <sup>(8)</sup> (R.O.E.)                                   | 21.5%      | 8.6%       | 12.9%           |
| Current result before taxes/Total assets (R.O.A.)                                    | 0.9%       | 0.8%       | 0.1%            |

|                                                      | 31.12.2023 | 31.12.2022 | Changes<br>abs. |
|------------------------------------------------------|------------|------------|-----------------|
| Net bad loans/Loans to customers                     | 0.4%       | 0.5%       | -0.1%           |
| Net non-performing loans/Loans to customers          | 1.7%       | 1.7%       | 0.0%            |
| % Coverage of bad loans                              | 69.9%      | 67.4%      | 2.5%            |
| % Coverage of bad loans before write-offs            | 70.2%      | 67.7%      | 2.5%            |
| % Total coverage of non-performing loans             | 49.4%      | 50.2%      | -0.8%           |
| % Coverage of non-performing loans before write-offs | 49.6%      | 50.4%      | -0.8%           |
| % Coverage of performing loans                       | 0.96%      | 0.88%      | 0.08%           |

## Structure and productivity data

|                                                           | 31.12.2023 | 31.12.2022 | Changes<br>abs. | %     |
|-----------------------------------------------------------|------------|------------|-----------------|-------|
| Number of employees                                       | 2,326      | 2,056      | 270             | 13.1% |
| Number of branches                                        | 280        | 232        | 48              | 20.7% |
| <i>Amounts in Euro thousands</i>                          |            |            |                 |       |
| Loans to customers per employee <sup>(9)</sup>            | 5,316      | 5,534      | -218            | -3.9% |
| Direct inflows from customers per employee <sup>(9)</sup> | 6,745      | 6,102      | 643             | 10.5% |

|                                                    | 31.12.2023 | 31.12.2022 | Changes<br>abs. | %     |
|----------------------------------------------------|------------|------------|-----------------|-------|
| Operating income per employee <sup>(9)</sup>       | 256        | 228        | 28              | 12.3% |
| Result from operations per employee <sup>(9)</sup> | 114        | 100        | 14              | 14.0% |

<sup>(7)</sup> capital ratios at 31.12.2023 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 18.6%; Tier 1 18.6%; Total capital ratio 19.5%

<sup>(8)</sup> net of the result for the period

<sup>(9)</sup> based on the number of employees as the arithmetic mean between the period-end figure and the previous year-end figure

The profit for the year increased by about Euro 149.9 million (+169.9%), mainly benefiting from the positive non-recurring effects of the acquisition of the BPER Group's business units with the recognition of the gross final badwill of Euro 66.1 million resulting from the final 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 98.1 million.

The total value of loans to customers at 31 December 2023 amounted to approximately Euro 11.6 billion, up 1.5% compared to the balance at year-end 2022, and include loans arising from the aforementioned acquisition of business units from the BPER Group valued according to the criteria defined by the definitive purchase price allocation (PPA) process.

Equity attributable to the Parent Company Banco Desio at 31 December 2023, including the result for the period, amounted to Euro 1,347.8 million, compared to Euro 1,118.6 million in 2022. The positive change of Euro 229.2 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 equity calculated according to the Supervisory regulations, defined as Own Funds, after the payout forecasts, as per the dividend policy, (determined based on the proposed allocation of the net profit subject to approval by the Shareholders' Meeting), amounted to Euro 1,369.8 million at 31 December 2023 (CET1 + AT1 at Euro 1,310.0 million + T2 at Euro 59.8 million), an increase of Euro 231.4 million compared to Euro 1,138.4 million at the end of the previous financial year.

The total capital ratio, i.e., total Own funds as a ratio of risk-weighted assets, was 18.6%.

## 9.2 - Fides S.p.A.

### Balance sheet values

| Amounts in Euro thousands              | 31.12.2023 | 31.12.2022 | Changes |        |
|----------------------------------------|------------|------------|---------|--------|
|                                        |            |            | abs.    | %      |
| Total assets                           | 1,500,326  | 1,138,706  | 361,620 | 31.8%  |
| Loans with banks                       | 285,046    | 49,885     | 235,160 | 471.4% |
| Loans to customers                     | 1,200,925  | 1,075,574  | 125,351 | 11.7%  |
| Tangible assets                        | 2,953      | 3,295      | -342    | -10.4% |
| Intangible assets                      | 1,397      | 1,512      | -115    | -7.6%  |
| Payables to banks                      | 1,195,411  | 1,067,271  | 128,140 | 12.0%  |
| of which Payables to group banks       | 1,195,411  | 1,067,271  | 128,140 | 12.0%  |
| Payables to customers                  | 6,375      | 6,158      | 217     | 3.5%   |
| Equity (including Profit for the year) | 56,118     | 51,617     | 4,501   | 8.7%   |
| Own Funds                              | 51,940     | 48,319     | 3,621   | 7.5%   |

### Income statement values <sup>(i)</sup>

| Amounts in Euro thousands        | 31.12.2023 | 31.12.2022 | Changes |         |
|----------------------------------|------------|------------|---------|---------|
|                                  |            |            | abs.    | %       |
| Operating income                 | 22,528     | 18,790     | 3,738   | 19.9%   |
| of which Net interest income     | 34,397     | 28,046     | 6,351   | 22.6%   |
| Operating expenses               | -10,221    | -9,239     | -982    | 10.6%   |
| Result from operations           | 12,306     | 9,550      | 2,756   | 28.9%   |
| Current result after taxes       | 7,236      | 5,603      | 1,633   | 29.1%   |
| Non-recurring result after taxes | 0          | -2,126     | 2,126   | -100.0% |
| Profit for the year              | 7,236      | 3,477      | 3,759   | 108.1%  |

<sup>(i)</sup> from reclassified Income Statement

## Equity, economic and risk ratios

|                                                            | 31.12.2023 | 31.12.2022 | Changes<br>abs. |
|------------------------------------------------------------|------------|------------|-----------------|
| Equity/Total assets                                        | 3.7%       | 4.5%       | -0.8%           |
| Equity/Loans to customers                                  | 4.7%       | 4.8%       | -0.1%           |
| Equity/Payables to banks                                   | 4.7%       | 4.8%       | -0.1%           |
| Total Own funds/Risk-weighted assets (Total capital ratio) | 8.1%       | 8.6%       | -0.5%           |
| Loans to customers/Total assets                            | 80.0%      | 94.5%      | -14.5%          |
| Payables to banks/Total assets                             | 79.7%      | 93.7%      | -14.0%          |
|                                                            | 31.12.2023 | 31.12.2022 | Changes<br>abs. |
| Operating expenses/Operating income (Cost/Income ratio)    | 45.4%      | 49.2%      | -3.8%           |
| Net interest income/Operating income                       | 152.7%     | 149.3%     | 3.4%            |
| Result from operations/Operating income                    | 54.6%      | 50.8%      | 3.8%            |
| Current result after taxes/Equity <sup>(2)</sup>           | 14.8%      | 11.6%      | 3.2%            |
| Profit for the year/Equity <sup>(2)</sup> (R.O.E.)         | 14.8%      | 7.2%       | 7.6%            |
| Current result before taxes/Total assets (R.O.A.)          | 0.7%       | 0.7%       | 0.0%            |
|                                                            | 31.12.2023 | 31.12.2022 | Changes<br>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                                    | 54.0%      | 56.2%      | -2.2%           |
| % Total coverage of non-performing loans                   | 28.5%      | 25.6%      | 2.9%            |
| % Coverage of performing loans                             | 0.13%      | 0.12%      | 0.1%            |

<sup>(2)</sup> net of the result for the year;

## Structure and productivity data

|                                                    | 31.12.2023 | 31.12.2022 | Changes<br>abs. | %     |
|----------------------------------------------------|------------|------------|-----------------|-------|
| Number of employees                                | 65         | 59         | 6               | 10.2% |
| Amounts in Euro thousands                          | 31.12.2023 | 31.12.2022 | Changes<br>abs. | %     |
| Loans to customers per employee <sup>(3)</sup>     | 19,370     | 19,556     | -186            | -1.0% |
| Amounts in Euro thousands                          | 31.12.2023 | 31.12.2022 | Changes<br>abs. | %     |
| Operating income per employee <sup>(3)</sup>       | 363        | 342        | 21              | 6.1%  |
| Result from operations per employee <sup>(3)</sup> | 198        | 174        | 24              | 13.8% |

<sup>(3)</sup> based on the number of employees as the arithmetic mean between the period-end figure and the previous year-end figure.

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

Net profit for the year at 31 December 2023 amounted to approximately Euro 7.2 million, up from the comparison period (Euro 3.5 million); operating income amounted to Euro 22.5 million, up Euro 3.7 million from 31 December 2022. Operating expenses amounted to Euro 9.9 million (formerly Euro 9.2 million). The result from operations amounted to Euro 12.6 million (formerly Euro 9.5 million). Cost of credit of about Euro 1.5 million (formerly Euro 1.3 million) and taxes of Euro 3.5 million (formerly Euro 1.8 million) lead to the current result for the period. The profit for the period was also affected by the allocation of Euro 0.1 million

(formerly Euro 2.9 million) for operational risks related to the legal uncertainty surrounding transactions with customers in the consumer credit business.

Loans to customers went from Euro 1,075.6 million at the end of 2022 to Euro 1,200.9 million at the reporting date, with a non-performing portfolio ratio of 0.6% (formerly 0.6%).

The accounting equity including the result for the period increased from Euro 51.6 million at 31 December 2022 to 56.1 million at 31 December 2023 (due to the effect of the operating result partly offset by the distribution of dividends) and the regulatory *Own Funds* went from Euro 48.3 million at the end of 2022 to Euro 51.9 million. The total capital ratio, i.e., total *Own funds* as a ratio of *Risk-weighted assets*, was 8.1% (8.6% at 31 December 2022).

## 10- Other information

### 10.1 - Treasury shares and parent company shares

At 31 December 2023, as at the end of the previous year, the Bank held neither treasury shares nor shares of the parent company Brianza Unione di Luigi Gavazzi e Stefano Lado S.a.p.A.. During the financial year, the Bank did not trade in any treasury shares nor shares of its parent company, not even through a trust company or intermediary.

### 10.2 - The rating

On 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".

On 20 February 2024, the sustainability rating was further upgraded by the agency "Standard Ethics" from "EE-" to "EE" with a "Positive" outlook, further positioning Banco Desio among the best performers in its sector.

### 10.3 - Transactions with related and/or connected parties

For a more detailed 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 [www.bancodesio.it](http://www.bancodesio.it).

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

## 10.4 - Information on incentive plans

Within the framework of the remuneration policy, of particular importance are the short-term incentive and the long-term incentive, incentive plans that involve personnel in the achievement of company and Group objectives, both short and medium to long term.

The short-term incentive is a management lever to enhance the contribution of staff and recognise individual merit. The long-term incentive supports the 2024-2026 Business Plan "Beyond 26" and aligns management's interests with those of the Group's relevant stakeholders.

In particular, the most recent incentive plans adopted by Banco Desio at Group level are based on the assignment of "phantom shares" relating to Banco Desio to the Chief Executive Officer and General Manager and to the remaining key personnel of Banco Desio and its subsidiary Fides.

Further information on payment agreements based on own equity instruments is contained in the following "Part I - Payment agreements based on own equity instruments" of the explanatory notes, while detailed information on the Group's remuneration policy is contained in the "Annual Report on remuneration policy and compensation paid", drawn up in compliance with supervisory provisions and made available, pursuant to art. 123-ter of the TUF, on the website [www.bancodesio.it](http://www.bancodesio.it).

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

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

## 10.6 - Research and development activities

Given the banking nature of the Group, research and development activities are mainly aimed at studying the possible application of technological innovations in customer relations, to improve and/or expand the range of products/services, as well as in internal business processes, to simplify them and make them more efficient. In addition, important projects of a regulatory nature, related to the issuance of new system-wide regulations, have been and are being implemented.

These activities are managed centrally by the Parent Company Banco Desio.

The main initiatives for each area are highlighted below.

### **Technology projects**

In a constantly evolving market context, Italian banking customers are becoming increasingly digital. In particular, there has been double-digit growth in internet usage in recent years. The use of self channels has also grown significantly as customers increasingly use digital channels.

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

In this regard, Banco Desio is continuing with the acceleration plan based on digitalisation, with the aim of creating a real ecosystem of solutions capable of:

- responding to the needs of customers, both those regularly inclined to the online channel and those who, although not "natively" digital, are beginning to favour the online channel;



- creating and ensuring a seamless customer experience to design and build the omnichannel strategy so that products and services can be offered on different distribution channels and serve different customer segments in a uniform way according to their characteristics;
- progressively creating an infrastructure capable of rapidly integrating existing solutions and services.

In particular, in addition to what was done in the year 2022 with the market releases of Plick, Instant Payment, Omnia and the OneD app, further services were released in the year 2023, enabling the Bank to continue its digitalisation path:

- Realisation and release of **Remote Selling** for the Nexi credit card with easy shopping. The purpose of the service was to enrich the range of products already placed through a new sales channel via the Remote Selling Platform that will allow customers to operate in self-buy mode when applying for a credit card in full digital mode directly in home banking (DWeb / DMobile). The credit card application is only available to consumer customers who are already current account holders.
- Release of the **Digital Onboarding** service that offers prospect users the opportunity to become Banco Desio customers by accessing the OneD app through a few simple steps. The OneD app also offers the possibility of certifying contacts, accepting and signing the contractual conditions by digital signature, and selecting the branch to root and digitally signing the privacy form and the Open Banking contract. Following the completion of the checks, Banco Desio proceeds with the account opening and sends the contract set to the user who will proceed by signing the contracts directly from the OneD app. The digital on-boarding process provides the user with a quick and easy experience, with application and processing times within 48 hours.
- Furthermore, in December 2023, Banco Desio joined the numerous financial intermediaries adhering to CBI Globe - Global Open Banking Ecosystem, the Open Finance ecosystem developed by CBI that develops innovative and value-added services in the world of digital payments, Open Banking and Open Finance. By joining the CBI Globe ecosystem, Banco Desio has implemented, for the benefit of all its customers, the **Check Iban** service, which allows to verify the correct association between IBAN (International Bank Account Number) and the holder's Tax Code/VAT number (natural or legal person). The major advantage of joining the service is the reduction of operational and fraud risks due to the verification of account information upon execution and receipt of a payment.
- The **One-D Business app** has been implemented and released, the aggregator for companies which, through the use of the opportunities enabled by the PSD2 regulations, has the objective and ambition to become an ecosystem of value-added solutions for both private and corporate customers, especially for POE and SB. In particular, One-D Business offers the possibility for customers to view and perform order transactions on all their current accounts directly from a single app.
- As of April 2023, Digital Credit Desio, the new Banco Desio platform that allows users to apply for and take out an unsecured loan of (initially) amounts from Euro 10 thousand to Euro 25 thousand over a term of either 12 or 18 months, is available on the market. The platform is accessible from the Banco Desio website for both prospect and actual.

The product subscribed on the platform can be provided to Business customers with the following characteristics:

- POE (Small Economic Operator) and SB (Small Business) segment.
- Capital Companies (hereafter "SdC"), Partnerships (hereafter "SdP") and Sole Proprietorships (hereafter "DI") with 3 years of activity and 2 filed financial statements (the latter where applicable).

The Digital Credit Desio platform is constantly evolving with the extension to corporate customers and the integration of the Guarantee Fund

As per Group guidelines, information security and data protection are a priority, 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 Group continued to adapt and evolve its operational and information processes related to compliance activities, increasing the necessary safeguards and controls.

The management, control and measurement of IT risks, including cyber risk, is embedded in the broader internal control and risk management system adopted by the Bank as parent company of the Banco Desio Group. With reference to the main lines of evolution envisaged, it should be noted that the Parent Company is committed to a path of continuous strengthening of its first-level cyber security controls<sup>4</sup> through the development of a KPI system capable of continuously monitoring the following areas: the Group's positioning in the cyber security field, the effectiveness of anti-fraud detection systems, exposure to vulnerabilities, and incident management.

In November 2023, the Bank's Board of Directors also approved the 2024-2026 Business Plan "Beyond 26", which attaches particular importance to the identification and activation of enabling factors for the achievement of objectives with the adoption of strategies focused also on technological improvement.

In fact, the Plan will focus on the development of value-added digital solutions dedicated to businesses with the aim of strengthening the One-D system so that it becomes the "one stop shop" for businesses for both financial and non-banking services.

### **Sustainability and climate-environmental risk**

Sustainability is one of the pillars of the 2024-2026 Business Plan "Beyond 26"; during 2023, the Group became more aware of the impact of sustainability issues on the competitive and regulatory context, as well as on its strategies, business model and objectives, in its role of supporting SMEs and households in the transition process towards an economy that combines economic sustainability with environmental and social sustainability.

In this context, the objective of Banco Desio and the Group is to assist and support current and future customers in understanding and addressing the challenges related to the transition to a sustainable economy through dedicated products and services. With particular reference to the world of financing, for the consumer target, the new Green Mortgage was finalised in 2023, aimed at the purchase of energy-efficient homes or the renovation of buildings, favouring the reduction of their environmental impact. The Group's willingness to support SMEs and households engaged in transition projects is embodied in the challenging Business Plan target of 2% of green loans aligned to the EU Taxonomy (Regulation 2020/852) on the stock of outstanding loans at the end of 2026.

In order to achieve these important objectives, the Group is constantly working towards a progressive integration of ESG criteria within its lending policies and to expand the offer of financing for sustainable projects. With reference to the commercial offer, the next commitments for the year 2024 will be dedicated to companies, through the launch of a first Green Enterprise Unsecured Loan and then an Enterprise Unsecured Loan with SACE Green Guarantee, to support them in their path of environmental transition, and to private individuals with personal loan solutions dedicated to sustainability.

As part of its asset management activities, aware of the importance of creating value for both the investor and the community, the Bank intends to act to consistently direct its resources towards investments that combine a return on capital with ESG objectives. In addition to a constant expansion of the range of investment products offered to clients from a sustainability perspective, both asset management and placement products (mutual funds, SICAVs, IBIPs), a path has been set in motion to integrate ESG aspects into the provision of investment services. This includes the start of the sustainability preference survey

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<sup>4</sup> With reference to the most recent regulatory developments in the field of cyber security and cyber risk (i.e. 40th update of Circ. 285/13), reference is made to the measures adopted by Banco Desio relating to (a) the expansion of the duties of the Board of Directors and the Chief Executive Officer in this area, (b) the organisational model (control responsibilities in the ICT and security area to the Risk Management and Compliance functions), (c) the operating model and (d) the definition of a short- and medium/long-term action plan for the management of ICT and Security Risks, as described in Part E - Information on risks and related hedging policies of the Notes, to which reference is made.

through the MiFID profiling questionnaire. In the distribution of insurance products and services, the Bank is committed to the progressive improvement of the sustainable product catalogue offered also in the area of protection.

For further information on ESG business initiatives, please refer to the Consolidated Non-Financial Statement (Banco Desio Group Sustainability Report 2023).

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

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

## 10.8 - Non-financial statement

Pursuant to Legislative Decree No. 254 of 30 December 2016, Banco di Desio e della Brianza S.p.A. prepares a Consolidated non-financial statement, also known as the “Banco Desio Group’s Sustainability Report”, which illustrates environmental, social, personnel, human rights and anti-corruption issues and is published in the form of a separate report with respect to the Consolidated financial statements.

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

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

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

To implement the new directive, the European Financial Reporting Advisory Group (EFRAG) was commissioned to develop common reporting standards, the European Sustainability Reporting Standards (ESRS). In this regard, on 31 July 2023, the European Commission finally adopted the Delegated Regulation containing a first set of sustainability reporting standards - European Sustainability Reporting Standards (ESRS).

Banco Desio is currently working on a specific project aimed at adapting to the new non-financial disclosure, which, in this specific case, will cover the financial year 2024.

Notice of the publication of the Sustainability Report is given by means of a press release, which includes an indication of the relevant section of the website [www.bancodesio.it](http://www.bancodesio.it) where the document can be consulted.

## 11 - Outlook and main risks and uncertainties

The financial statements at 31 December 2023 were prepared with a view to business continuity, as there are no reasons to believe the opposite is plausible in the foreseeable future, in consideration of the capital solidity, the growing operational management with reference to the main commercial priorities of the "D23" strategic plan" recently concluded, of the careful management of credit quality and the reduced NPL ratio confirming the commercial strength and resilience of the Bank, which confirms the overperformance compared to the budget and Business Plan objectives despite an unstable macroeconomic context due to the continuation of the Russian-Ukrainian conflict and the worsening of the situation in the Middle East recorded in the last months of 2023.

In 2023, the shift from extremely expansive monetary policies supporting overall demand for goods and services to a phase of containing inflation through a gradual increase in interest rates by central banks caused a slowdown in economic growth. With inflation expected to fall, the Central Banks' outlook began to change from the fourth quarter of 2023 onwards, with a rate cut expected from mid-2024 onwards. Fears of a recessionary phase have not yet dissipated, confirming the cautious stance of analysts who expect GDP growth and world trade to remain weak in 2024 and an effect on investments strongly influenced by high raw material costs. It is only in the second half of 2024 that central banks are expected to adopt expansionary measures, for which a decline in policy rates is a necessary step.

Also in 2024, the Banco Desio Group, in line with the guidelines of the new Business Plan "Beyond 26", approved by the Parent Company's Board of Directors on 24 November 2023, will continue to work to support its customers through an effective and efficient offer of products and services and to pursue levels of profitability and capitalisation in line with the best peers in the sector.

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

Within the guidelines of the Business Plan, the Bank is oriented to strengthening its economic and financial efficiency, confirming the objective of bringing the main profitability ratios in line with the system's best performance while maintaining a strong focus on the quality of loans.

Also for 2024, the ambition remains to make the configuration of the Banco Desio Group even more clearly defined as an independent group recognised for financial solidity, economic resilience, quality of services offered and with a strategy increasingly focused on innovation, digital, application of ESG criteria and proximity to customers.

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

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

## **Consolidated Financial Statements**

# CONSOLIDATED BALANCE SHEET

## ASSETS

| Asset items                                                                    | 31.12.2023        | 31.12.2022        | Changes          |             |
|--------------------------------------------------------------------------------|-------------------|-------------------|------------------|-------------|
|                                                                                |                   |                   | absolute         | %           |
| 10. Cash and cash equivalents                                                  | 1,655,187         | 879,593           | 775,594          | 88.2%       |
| 20. Financial assets measured at fair value through profit or loss             | 159,275           | 139,820           | 19,455           | 13.9%       |
| a) Financial assets held for trading                                           | 7,898             | 25,764            | (17,866)         | -69.3%      |
| c) Other financial assets mandatorily measured at fair value                   | 151,377           | 114,056           | 37,321           | 32.7%       |
| 30. Financial assets measured at fair value through other comprehensive income | 835,465           | 842,346           | (6,881)          | -0.8%       |
| 40. Financial assets measured at amortised cost                                | 14,888,148        | 14,658,920        | 229,228          | 1.6%        |
| a) Loans with banks                                                            | 862,934           | 632,089           | 230,845          | 36.5%       |
| b) Loans to customers                                                          | 14,025,214        | 14,026,831        | (1,617)          | 0.0%        |
| 50. Hedging derivatives                                                        | 21,431            | 59,099            | (37,668)         | -63.7%      |
| 60. Value adjustment of financial assets with macro hedges (+/-)               | (4,073)           | (19,593)          | 15,520           | -79.2%      |
| 70. Investments                                                                | 5,015             | 4,866             | 149              | 3.1%        |
| 90. Tangible assets                                                            | 230,994           | 220,934           | 10,060           | 4.6%        |
| 100. Intangible assets                                                         | 41,619            | 19,963            | 21,656           | 108.5%      |
| of which:                                                                      |                   |                   |                  |             |
| - goodwill                                                                     | 15,322            | 15,322            | -                |             |
| 110. Tax assets                                                                | 119,269           | 157,532           | (38,263)         | -24.3%      |
| a) current                                                                     | 527               | 3,640             | (3,113)          | -85.5%      |
| b) deferred                                                                    | 118,742           | 153,892           | (35,510)         | -22.8%      |
| 120. Non-current assets and groups of assets held for sale                     | -                 | 1                 | (1)              | -100.0%     |
| 130. Other assets                                                              | 602,925           | 577,843           | 25,082           | 4.3%        |
| <b>Total assets</b>                                                            | <b>18,555,255</b> | <b>17,541,324</b> | <b>1,013,931</b> | <b>5.8%</b> |

## LIABILITIES

| Liabilities and equity items        |                                                  | 31.12.2023        | 31.12.2022        | Changes          |             |
|-------------------------------------|--------------------------------------------------|-------------------|-------------------|------------------|-------------|
|                                     |                                                  |                   |                   | absolute         | %           |
| 10.                                 | Financial liabilities measured at amortised cost | 16,795,988        | 16,084,575        | 711,413          | 4.4%        |
|                                     | a) Payables to banks                             | 1,950,065         | 3,381,350         | (1,431,285)      | -42.3%      |
|                                     | b) Payables to customers                         | 12,336,104        | 11,167,074        | 1,169,030        | 10.5%       |
|                                     | c) Securities issued                             | 2,509,819         | 1,536,151         | 973,668          | 63.4%       |
| 20.                                 | Financial liabilities held for trading           | 1,750             | 4,130             | (2,380)          | -57.6%      |
| 40.                                 | Hedging derivatives                              | 14,556            | -                 | 14,556           | 0.0%        |
| 60.                                 | Tax liabilities                                  | 11,765            | 1,619             | 10,146           | 626.7%      |
|                                     | a) current                                       | 3,498             | 582               | 2,916            | 501.0%      |
|                                     | b) deferred                                      | 8,267             | 1,037             | 7,230            | 697.2%      |
| 70.                                 | Liabilities related to assets held for sale      | -                 | 11                | (11)             | -100%       |
| 80.                                 | Other liabilities                                | 294,451           | 255,468           | 38,983           | 15.3%       |
| 90.                                 | Employee severance indemnity (TFR)               | 19,364            | 17,790            | 1,574            | 8.8%        |
| 100.                                | Provisions for risks and charges                 | 63,352            | 55,263            | 8,089            | 14.6%       |
|                                     | a) commitments and guarantees given              | 4,096             | 3,534             | 562              | 15.9%       |
|                                     | c) other provisions for risks and charges        | 59,256            | 51,729            | 7,527            | 14.6%       |
| 120.                                | Valuation reserves                               | 3,178             | (13,192)          | 16,370           | -124.1%     |
| 150.                                | Reserves                                         | 1,023,638         | 967,345           | 56,293           | 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 (+/-)                 | 240,361           | 81,463            | 158,898          | 195.1%      |
| <b>Total liabilities and equity</b> |                                                  | <b>18,555,255</b> | <b>17,541,324</b> | <b>1,013,931</b> | <b>5.8%</b> |



## CONSOLIDATED INCOME STATEMENT

| Items                                                                                                   | 31.12.2023       | 31.12.2022       | Changes        |               |
|---------------------------------------------------------------------------------------------------------|------------------|------------------|----------------|---------------|
|                                                                                                         |                  |                  | absolute       | %             |
| 10. Interest and similar income                                                                         | 620,703          | 336,935          | 283,768        | 84.2%         |
| of which: interest income calculated using the effective interest rate method                           | 434,620          | 258,822          | 175,798        | 67.9%         |
| 20. Interest and similar expense                                                                        | (250,267)        | (52,157)         | (198,110)      | 379.8%        |
| <b>30. Net interest income</b>                                                                          | <b>370,436</b>   | <b>284,778</b>   | <b>85,658</b>  | <b>30.1%</b>  |
| 40. Commission income                                                                                   | 219,525          | 201,741          | 17,784         | 8.8%          |
| 50. Commission expenses                                                                                 | (24,063)         | (20,984)         | (3,079)        | 14.7%         |
| <b>60. Net commissions</b>                                                                              | <b>195,462</b>   | <b>180,757</b>   | <b>14,705</b>  | <b>8.1%</b>   |
| 70. Dividends and similar income                                                                        | 600              | 601              | (1)            | -0.2%         |
| 80. Net trading result                                                                                  | 4,397            | 4,537            | (140)          | -3.1%         |
| 90. Net hedging result                                                                                  | 4,275            | (492)            | 4,767          | n.s.          |
| 100. Gains (losses) on sale or repurchase of:                                                           | (5,624)          | (3,617)          | (2,007)        | 55.5%         |
| a) financial assets measured at amortised cost                                                          | (8,188)          | (4,230)          | (3,958)        | 93.6%         |
| b) financial assets measured at fair value through other comprehensive income                           | 2,020            | 595              | 1,425          | 293.5%        |
| c) financial liabilities                                                                                | 544              | 18               | 526            | n.s.          |
| 110. Net result of other financial assets and liabilities measured at fair value through profit or loss | (7,837)          | (10,444)         | 2,607          | -25.0%        |
| b) other financial assets mandatorily measured at fair value                                            | (7,837)          | (10,444)         | 2,607          | -25.0%        |
| <b>120. Net banking income</b>                                                                          | <b>561,709</b>   | <b>456,120</b>   | <b>105,589</b> | <b>23.1%</b>  |
| 130. Net value adjustments/reversals for credit risk related to:                                        | (58,623)         | (42,919)         | (15,704)       | 36.6%         |
| a) financial assets measured at amortised cost                                                          | (58,614)         | (42,759)         | (15,855)       | 37.1%         |
| b) financial assets measured at fair value through other comprehensive income                           | (9)              | (160)            | 151            | -94.4%        |
| 140. Gains/losses from contractual amendments without derecognition                                     | 88               | 8                | 80             | n.s.          |
| <b>150. Net result from financial operations</b>                                                        | <b>503,174</b>   | <b>413,209</b>   | <b>89,965</b>  | <b>21.8%</b>  |
| <b>180. Net result from financial and insurance operations</b>                                          | <b>503,174</b>   | <b>413,209</b>   | <b>89,965</b>  | <b>21.8%</b>  |
| 190. Administrative expenses:                                                                           | (351,810)        | (306,139)        | (45,671)       | 14.9%         |
| a) personnel expenses                                                                                   | (205,594)        | (176,042)        | (29,552)       | 16.8%         |
| b) other administrative expenses                                                                        | (146,216)        | (130,097)        | (16,119)       | 12.4%         |
| 200. Net allocations to provisions for risks and charges                                                | (8,420)          | (7,426)          | (994)          | 13.4%         |
| a) commitments for guarantees given                                                                     | (300)            | 453              | (753)          | n.s.          |
| b) other net allocations                                                                                | (8,120)          | (7,879)          | (241)          | 3.1%          |
| 210. Net value adjustments/reversals on tangible assets                                                 | (17,998)         | (16,206)         | (1,792)        | 11.1%         |
| 220. Net value adjustments/reversals on intangible assets                                               | (4,044)          | (2,084)          | (1,960)        | 94.0%         |
| 230. Other operating expenses/income                                                                    | 83,269           | 28,610           | 54,659         | 191.0%        |
| <b>240. Operating costs</b>                                                                             | <b>(299,003)</b> | <b>(303,245)</b> | <b>4,242</b>   | <b>-1.4%</b>  |
| 250. Gains (Losses) on investments                                                                      | 192              | (16)             | 208            | n.s.          |
| 260. Net result of fair value measurement of tangible and intangible assets                             | (160)            | -                | (160)          | n.s.          |
| 280. Gains (Losses) on disposal of investments                                                          | -                | (54)             | 54             | -100.0%       |
| <b>290. Profit (Loss) from current operations before taxes</b>                                          | <b>204,203</b>   | <b>109,894</b>   | <b>94,309</b>  | <b>85.8%</b>  |
| 300. Income taxes for the year on current operations                                                    | (61,867)         | (35,298)         | (26,569)       | 75.3%         |
| <b>310. Profit (Loss) from current operations after taxes</b>                                           | <b>142,336</b>   | <b>74,596</b>    | <b>67,740</b>  | <b>90.8%</b>  |
| 320. Profit (Loss) from discontinued operations after taxes                                             | 98,025           | 6,867            | 91,158         | n.s.          |
| <b>330. Profit (Loss) for the year</b>                                                                  | <b>240,361</b>   | <b>81,463</b>    | <b>158,898</b> | <b>195.1%</b> |
| <b>350. Profit (Loss) for the year attributable to the parent company</b>                               | <b>240,361</b>   | <b>81,463</b>    | <b>158,898</b> | <b>195.1%</b> |

|                                   | 31.12.2023 | 31.12.2022 |
|-----------------------------------|------------|------------|
| Basic earnings per share (Euro)   | 1.79       | 0.61       |
| Diluted earnings per share (Euro) | 1.79       | 0.61       |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| Items                                                                                                          | 31.12.2023     | 31.12.2022      |
|----------------------------------------------------------------------------------------------------------------|----------------|-----------------|
| <b>10. Profit (Loss) for the year</b>                                                                          | <b>240,361</b> | <b>81,463</b>   |
| <b>Other income components net of taxes without reversal to the income statement</b>                           |                |                 |
| 20. Equity securities measured at fair value through other comprehensive income                                | (1,074)        | 1,408           |
| 50. Tangible assets                                                                                            | (28)           | -               |
| 70. Defined benefit plans                                                                                      | (70)           | 1,052           |
| <b>Other income components net of taxes with reversal to the income statement</b>                              |                |                 |
| 130. Cash flow hedges                                                                                          | -              | 203             |
| 150. Financial assets (other than equity securities) measured at fair value through other comprehensive income | 17,540         | (31,639)        |
| 170. Share of valuation reserves of investments valued at equity                                               | 2              | 22              |
| <b>200. Total other income components net of taxes</b>                                                         | <b>16,370</b>  | <b>(28,954)</b> |
| <b>210. Comprehensive income (Item 10+170)</b>                                                                 | <b>256,731</b> | <b>52,509</b>   |
| 220. Consolidated comprehensive income attributable to minority interests                                      | -              | -               |
| <b>230. Consolidated comprehensive income attributable to the parent company</b>                               | <b>256,731</b> | <b>52,509</b>   |

## STATEMENT OF CHANGES IN CONSOLIDATED EQUITY AT 31 DECEMBER 2023

|                            | Balance at 31.12.2022 | Changes in opening<br>balances | Balance at 01.01.2023 | Allocation of<br>previous year<br>result |                                    | Changes in the year |                     |                             |                                            |                                  |                                   |               |                             |                                    |           | Group equity at 31.12.2023 | Minority interests at<br>31.12.2023 |
|----------------------------|-----------------------|--------------------------------|-----------------------|------------------------------------------|------------------------------------|---------------------|---------------------|-----------------------------|--------------------------------------------|----------------------------------|-----------------------------------|---------------|-----------------------------|------------------------------------|-----------|----------------------------|-------------------------------------|
|                            |                       |                                |                       |                                          |                                    | Changes in reserves | Equity transactions |                             |                                            |                                  |                                   |               |                             | Comprehensive income<br>31.12.2023 |           |                            |                                     |
|                            |                       |                                |                       | Reserves                                 | Dividends and other<br>allocations |                     | Issue of new shares | Purchase of treasury shares | Extraordinary distribution of<br>dividends | Changes in equity<br>instruments | Derivatives on treasury<br>shares | Stock options | Changes in equity interests |                                    |           |                            |                                     |
| Capital:                   |                       |                                |                       |                                          |                                    |                     |                     |                             |                                            |                                  |                                   |               |                             |                                    |           |                            |                                     |
| a) ordinary shares         | 70,693                | -                              | 70,693                | -                                        | -                                  | -                   | -                   | -                           | -                                          | -                                | -                                 | -             | -                           | -                                  | 70,693    | -                          |                                     |
| b) other shares            | -                     | -                              | -                     | -                                        | -                                  | -                   | -                   | -                           | -                                          | -                                | -                                 | -             | -                           | -                                  | -         | -                          |                                     |
| Share premiums             | 16,145                | -                              | 16,145                | -                                        | -                                  | -                   | -                   | -                           | -                                          | -                                | -                                 | -             | -                           | -                                  | 16,145    | -                          |                                     |
| Reserves:                  |                       |                                |                       |                                          |                                    |                     |                     |                             |                                            |                                  |                                   |               |                             |                                    |           |                            |                                     |
| a) of profits              | 945,133               | -                              | 945,133               | 61,733                                   | -                                  | 1,233               | -                   | -                           | -                                          | -                                | -                                 | -             | -                           | -                                  | 1,008,099 | -                          |                                     |
| b) other                   | 22,226                | -                              | 22,226                | (6,726)                                  | -                                  | 53                  | -                   | -                           | -                                          | -                                | -                                 | -             | -                           | -                                  | 15,539    | 14                         |                                     |
| Valuation reserves:        | (13,192)              | -                              | (13,192)              | -                                        | -                                  | -                   | -                   | -                           | -                                          | -                                | -                                 | -             | -                           | 16,370                             | 3,178     | -                          |                                     |
| Equity instruments         | -                     | -                              | -                     | -                                        | -                                  | -                   | -                   | -                           | -                                          | -                                | -                                 | -             | -                           | -                                  | -         | -                          |                                     |
| Treasury shares            | -                     | -                              | -                     | -                                        | -                                  | -                   | -                   | -                           | -                                          | -                                | -                                 | -             | -                           | -                                  | -         | -                          |                                     |
| Profit (Loss) for the year | 81,463                | -                              | 81,463                | (55,007)                                 | (26,456)                           | -                   | -                   | -                           | -                                          | -                                | -                                 | -             | -                           | 240,361                            | 240,361   | -                          |                                     |
| Group equity               | 1,122,454             | -                              | 1,122,454             | -                                        | (26,456)                           | 1,286               | -                   | -                           | -                                          | -                                | -                                 | -             | -                           | 256,731                            | 1,354,015 | -                          |                                     |
| Minority interests         | 14                    | -                              | 14                    | -                                        | -                                  | -                   | -                   | -                           | -                                          | -                                | -                                 | -             | -                           | -                                  | -         | 14                         |                                     |

## STATEMENT OF CHANGES IN CONSOLIDATED EQUITY AT 31 December 2022

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

## CONSOLIDATED CASH FLOW STATEMENT - DIRECT METHOD

|                                                                              | 31.12.2023       | 31.12.2022       |
|------------------------------------------------------------------------------|------------------|------------------|
| <b>A. OPERATING ACTIVITIES</b>                                               |                  |                  |
| <b>1. Operations</b>                                                         | <b>246,967</b>   | <b>148,024</b>   |
| - interest income collected (+)                                              | 594,522          | 320,110          |
| - interest expense paid (-)                                                  | (247,071)        | (50,597)         |
| - dividends and similar income (+)                                           | 600              | 601              |
| - net commissions (+/-)                                                      | 193,678          | 188,999          |
| - personnel expenses (-)                                                     | (202,594)        | (176,112)        |
| - net premiums collected (+)                                                 |                  |                  |
| - other insurance income/expenses (+/-)                                      |                  |                  |
| - other costs (-)                                                            | (154,786)        | (129,585)        |
| - other revenues (+)                                                         | 123,218          | 25,644           |
| - taxes and duties (-)                                                       | (61,867)         | (37,903)         |
| - costs/revenues related to discontinued operations net of tax effect (+/-)  | 1,267            | 6,867            |
| <b>2. Liquidity generated (absorbed) by financial assets</b>                 | <b>(188,535)</b> | <b>982,038</b>   |
| - financial assets held for trading                                          | 18,584           | (14,940)         |
| - financial assets designated at fair value                                  |                  |                  |
| - other assets mandatorily measured at fair value                            | (45,172)         | (49,150)         |
| - financial assets measured at fair value through other comprehensive income | 34,088           | (295,173)        |
| - financial assets measured at amortised cost                                | (234,141)        | 1,568,047        |
| - other assets                                                               | 38,106           | (226,746)        |
| <b>3. Liquidity generated (absorbed) by financial liabilities</b>            | <b>688,695</b>   | <b>(307,737)</b> |
| - financial liabilities measured at amortised cost                           | 706,737          | (238,062)        |
| - financial liabilities held for trading                                     | (2,380)          | (1,771)          |
| - financial liabilities designated at fair value                             |                  |                  |
| - other liabilities                                                          | (15,662)         | (67,904)         |
| <b>Net liquidity generated (absorbed) by operating activities (A)</b>        | <b>747,127</b>   | <b>822,325</b>   |
| <b>B. INVESTMENT ACTIVITIES</b>                                              |                  |                  |
| <b>1. Liquidity generated by</b>                                             | <b>96,759</b>    | <b>706</b>       |
| - sales of investments                                                       |                  |                  |
| - dividends collected on investments                                         |                  |                  |
| - sales of tangible assets                                                   | 1                | 706              |
| - sales of intangible assets                                                 |                  |                  |
| - sales of subsidiaries and business units                                   | 96,758           |                  |
| <b>2. Liquidity absorbed by</b>                                              | <b>(45,009)</b>  | <b>(12,682)</b>  |
| - purchases of investments                                                   | (149)            | (4,866)          |
| - purchases of tangible assets                                               | (15,858)         | (4,888)          |
| - purchases of intangible assets                                             | (25,700)         | (2,928)          |
| - purchases of subsidiaries and business units                               | (3,302)          |                  |
| <b>Net liquidity generated (absorbed) by investment activities (B)</b>       | <b>51,750</b>    | <b>(11,976)</b>  |
| <b>C. FINANCING ACTIVITIES</b>                                               |                  |                  |
| - 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                                          |                  |                  |
| <b>Net liquidity generated (absorbed) by financing activities (C)</b>        | <b>(26,456)</b>  | <b>(18,341)</b>  |
| <b>NET LIQUIDITY GENERATED (ABSORBED) DURING THE YEAR (A+B+C)</b>            | <b>772,421</b>   | <b>792,008</b>   |

## RECONCILIATION

|                                                               | 31.12.2023       | 31.12.2022     |
|---------------------------------------------------------------|------------------|----------------|
| <b>Cash and cash equivalents at the beginning of the year</b> | <b>879,593</b>   | <b>84,412</b>  |
| Total net liquidity generated/absorbed during the year        | 772,421          | 792,008        |
| Cash and cash equivalents: effect of exchange rate changes    | 3,173            | 3,173          |
| <b>Cash and cash equivalents at the end of the year</b>       | <b>1,655,187</b> | <b>879,593</b> |

## **Consolidated Notes**

## **PART A – ACCOUNTING POLICIES**

### **A.1 GENERAL PART**

#### **Section 1 – Declaration of compliance with international accounting standards**

These consolidated financial statements, in application of Legislative Decree No. 38 of 28 February 2005, which implemented EU Regulation No. 1606 of 19 July 2002, are prepared in accordance with IAS/IFRS, in force at the reference date of 31 December 2023, issued by the International Accounting Standards Board (IASB) with the related interpretations of the IFRS Interpretations Committee (formerly IFRIC) endorsed by the European Commission.

#### **Section 2 – General preparation principles**

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

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

Also considered, insofar as they are also applicable with reference to the conflict in Ukraine and the growing international tensions, were the interpretative and support documents for the application of the accounting principles in relation to the impacts of Covid-19, issued by the regulatory and supervisory bodies and standard setters (European Banking Authority, European Securities and Markets Authority, European Central Bank, Bank of Italy, Consob, IFRS Foundation), which provide recommendations on the most relevant aspects, on the accounting treatment of particular transactions or on financial reporting, for which reference is made to the following paragraph "Risks, uncertainties and impacts deriving from war conflicts, the residual effects of the Covid-19 epidemic, climate risk and the macroeconomic context".

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

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

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

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



## Section 3 – Scope and methods of consolidation

### 1. Investments in wholly-controlled subsidiaries

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

#### Key

Type of relation:

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

4 = other forms of control

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

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

With reference to the equity investment in Coppedè SPV S.r.l., it should be noted that there are two separate assets, the first set up in the last quarter of 2022 through the sale of performing loans of the Coppedè 1 transaction of Fides S.p.A. and the second through the sale of loans realised by the same company Fides in the last quarter of 2023.

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<sup>5</sup> and, in accordance with the aforementioned accounting standard, the latter is subject to consolidation. Specifically the so-called "below the line" of the SPV is subject to consolidation as the Transaction is carried out without derecognition of the loans that were retained in Fides' financial statements while the "above the line" of the SPV, is the subject of consolidation by Banco Desio, which directly controls 100% of Fides, even though referring to the Framework for the preparation and presentation of financial statements (Framework), and the concepts referred to therein of "materiality" and "relevance", the inclusion in the consolidated financial statements of the so-called "above the line" of the SPV could have been considered of no substantial use due to its negligible impact at the aggregate level.

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

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

- the purpose and structure of the entity;

<sup>5</sup> 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.

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

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

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

### 3.2 Investments with minority interests: accounting information

| Company names    | Total assets | Cash and cash equivalents | Financial assets | Tangible and intangible assets | Financial liabilities | Equity | Net interest income | Net banking income | Operating costs | Profit (loss) from current operations before taxes | Profit (loss) from current operations after taxes | Profit (loss) of groups of assets held for sale after taxes | Profit (loss) of the year (1) | Other income components net of taxes (2) | Comprehensive income (3) = (1) + (2) |
|------------------|--------------|---------------------------|------------------|--------------------------------|-----------------------|--------|---------------------|--------------------|-----------------|----------------------------------------------------|---------------------------------------------------|-------------------------------------------------------------|-------------------------------|------------------------------------------|--------------------------------------|
| Desio OBG S.r.l. | 57           | 47                        | -                | -                              | -                     | 10     | -                   | 101                | (100)           | 1                                                  | -                                                 | -                                                           | -                             | -                                        | -                                    |

#### 4. Significant restrictions

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

#### 5. Other information

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

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

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

These financial statements were approved on 29 February 2024 by the Board of Directors of Banco di Desio e della Brianza S.p.A., which simultaneously authorised their publication.

Highlighted below are significant events occurring in the period between the reporting date (31 December 2023) and the date of approval of the draft financial statements by the Board of Directors (29 February 2024), exclusively attributable to the case of "non-adjusting events" in accordance with IAS 10, i.e. events that do not entail any adjustment of the balances in the financial statements, as they are the expression of situations arising after the reporting date.

#### Binding agreements signed for entry into the share capital of Dynamica Retail S.p.A.

On 31 January 2024, Banco Desio announced that it had signed a sale and purchase agreement and an investment agreement with the shareholders of Dynamica Retail S.p.A. ("Dynamica" or "Company"), a company active in the provision of salary-backed loans to private customers, concerning the Banco Desio entry into the share capital of Dynamica through the purchase of the majority of the share capital and the subscription of a capital increase reserved for Banco Desio.

Upon completion of the Transaction, the execution of which is conditional upon, inter alia, obtaining authorisation from the Bank of Italy, Banco Desio will hold a stake of no less than 80% of the Company's share capital, while the remaining stake will be held by the current management, which will continue to contribute to the growth of the Company within the Banco Desio Group.

For further information, please refer to the information in "Section 2 - Transactions realised after the end of the year" in Part G of the Notes to the Financial Statements.

#### Transaction DESIO SME

On 12 February 2024 ("legal effective date"), the sale was finalised for consideration, en bloc and without recourse, of a portfolio of receivables arising from loans to Italian SMEs that are mortgage-backed, unsecured and, in part, guaranteed by Medio Credito Centrale, disbursed by Banco di Desio e della Brianza S.p.A. (or the merged Banca Popolare di Spoleto S.p.A.) to the specially incorporated securitisation vehicle, Desio SME SPV Srl, based in Italy and having Stichting Rugiada as sole shareholder. The value of the loan portfolio transferred in the transaction is Euro 540 million in terms of gross book value.

As part of the Transaction, the Bank was appointed by Desio SME SPV Srl to carry out, in the role of Servicer, the collection activities of the assigned credits and cash and payment services pursuant to art. 2, paragraphs 3, 6 and 6-bis of Law 130.

The initiative is part of a securitisation of performing loans (without derecognition) aimed at improving liquidity management by optimising portfolio management and diversifying funding sources.

## **Section 5 - Other aspects**

### **New accounting standards/interpretations or amendments of existing ones**

With reference to the new international accounting standards, or amendments to standards already in force, which have already been endorsed by the European Commission and whose application became mandatory as of 1 January 2023, there were no impacts arising from the changes related to the adoption of IFRS 17 Insurance Contracts.

At the reference date of 31 December 2023, the following documents have been approved by the European Commission:

- amendments to IFRS 16 Leases: Disclosures about Leases, the amendments specify how the selling lessee subsequently evaluates sale and leaseback transactions (Reg. EU 2023/2579) applicable to financial statements as from 1 January 2024;

The Group does not expect any significant impact from the entry into force of the aforementioned changes.

### **Use of estimates and assumptions in preparing the financial statements**

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

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

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

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

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

## **Risks, uncertainties and impacts arising from war conflicts, residual effects of the Covid-19 epidemic, climate risk and the macroeconomic context**

Among the main factors of uncertainty that could affect the future scenarios in which the Bank will find itself operating, the negative effects on the global and Italian economy directly or indirectly linked to the continuation of war conflicts (in particular in Europe and the Middle East) must not be underestimated, which is part of a context already characterised by tensions in global supply chains and the residual effects of the Covid-19 epidemic.

The reporting year was strongly impacted by the restrictive stance of European monetary policy, worrying increases in the energy sector and high levels of inflation with a consequent slowdown in the economy, which, together with the residual effects of the Covid-19 epidemic and the increasing awareness of climate risk at an international level, represent the main elements of uncertainty for future scenarios; the fourth quarter of the year, however, saw a gradual normalisation of the global economy, a phase of contained inflation and an improving outlook for Central Banks with the expectation of a reduction in rates from mid-2024.

In this regard, an illustration is provided below of the estimation processes that require the use of significant elements of judgement in the selection of underlying hypotheses and assumptions and the consequent application solutions adopted by the Parent Company, aligning them with the evolution of the context observed from time to time, aware of its role in providing the necessary support to its stakeholders, people and businesses, in the current context characterised by significant factors of uncertainty and volatility.

### ***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 identified at the time during 2020 for the preparation of the financial reports remain confirmed which, in light of the performance of the reference macroeconomic context, have been subject to calibration and refinement over time due to the evolution of the general and sector macroeconomic framework.

The Group analysed the evaluation aspects in alignment with the indications of the various regulators, taking into account the indications contained in the documents published by various international institutions (ESMA, EBA, BCE-SSM, IFRS Foundation), aiming to achieve a balance between the need to avoid excessively pro-cyclical hypotheses in the models used to estimate expected credit losses and the need to ensure that the risks related to the macroeconomic context to which the Group is (or will be) exposed are adequately reflected in the accounting and prudential assessments.

In particular, referring to the guidelines expressed in the Bank of Italy's Communication of 29 September 2023 "Situation of Less Significant Institutions (LSI)", there is an expectation that banks will adopt prudent loan valuation criteria and financial investment policies, and that they will be proactive and timely in executing their funding plans. Accordingly, credit risk assessments must be based, consistent with the relevant accounting standards, on conservative policies and practices to avoid the emergence of unexpected losses and to increase the transparency of financial statement documentation.

Therefore, taking into account the elements of uncertainty and macroeconomic change still present in the current market context, the Group has considered updating both the macroeconomic forecasts and the models used to estimate expected losses by adopting forecasts prepared by specialised providers.

These projections take into account the transmission of the effects of the ongoing war conflicts and the inflationary shocks to the economy through multiple channels such as the decline in international trade and foreign demand, the reduction in private consumption, the effects of uncertainty and confidence on the propensity of companies to invest, etc.

In relation to the persistent elements of uncertainty in the macroeconomic scenarios already mentioned and consistent with the expectations of the regulators, as well as with the approach of utmost care applied in the performance monitoring of exposures already adopted in the three previous years, the Group deemed it appropriate to continue to adopt a prudent approach in assessing the longer-term impacts also in relation to new emerging risk factors, defining post-model adjustments.

The main characteristics of the model for determining the expected loss, of the macroeconomic scenarios incorporated therein and of the management overlay interventions, in which the effects of climate change are already considered, are described in more detail in the following "Part E - Information on risks and related hedging policies" to which reference is made.

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

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

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

#### ***Fair value measurement of financial instruments***

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

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

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

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

### ***Impairment test of intangible assets with indefinite life (goodwill) and investments***

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

Here again, the authorities expressed themselves in suggesting extreme caution in updating valuation scenarios, at least in the phase of most acute uncertainty.

For the preparation of this document of financial statements, in line with IAS 36 *Impairment of assets* and the *Impairment Policy for intangible assets with indefinite useful life (goodwill) and investments*, the Bank updated its economic-financial forecasts, with projections over an explicit time horizon of five years.

Consequently, on the reference date, the valuation analyses of the impairment test were not carried out by using a multi-scenario approach in consideration of the fact that the economic-financial forecasts considered are based on reasonable assumptions, anchored to the general macroeconomic and sector framework that is still affected by the elements of significant uncertainty previously mentioned.

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

|                         | <b>31.12.2023</b>                          |                     |                     |                                               | <b>31.12.2022</b>            |                     |                     | <b>31.12.2021</b>            |                     |                     |
|-------------------------|--------------------------------------------|---------------------|---------------------|-----------------------------------------------|------------------------------|---------------------|---------------------|------------------------------|---------------------|---------------------|
| CGU                     | BDB<br>(goodwill)                          | Fides<br>(goodwill) | Group<br>(goodwill) | Anthilia SGR<br>(investment)                  | BDB<br>(goodwill)            | Fides<br>(goodwill) | Group<br>(goodwill) | BDB<br>(goodwill)            | Fides<br>(goodwill) | Group<br>(goodwill) |
| Model                   | DDM                                        |                     |                     |                                               | DDM                          |                     |                     | DDM                          |                     |                     |
| Flows                   | Net Results                                |                     |                     |                                               | Net Results                  |                     |                     | Net Results                  |                     |                     |
| Database                | 2024-26 Business Plan extended to 2028 (*) |                     |                     | 2023-2025 Activity Plan extended to 2028 (**) | 2023 Budget extended to 2027 |                     |                     | 2022 Budget extended to 2026 |                     |                     |
| CAGR RWA                | 2.60%                                      | 14.30%              | 3.81%               | 0.90%                                         | 2.40%                        | 8.40%               | 2.90%               | 2.50%                        | 7.10%               | 2.60%               |
| Ke                      | 11.92%                                     |                     |                     |                                               | 10.37%                       |                     |                     | 8.22% (***)                  |                     |                     |
| g                       | 2.03%                                      |                     |                     |                                               | 2.06%                        |                     |                     | 1.58%                        |                     |                     |
| Capital ratio<br>(****) | 13.01%                                     | 6.00%               | 12.06%              | 10.37%<br>(*****)                             | 10.93%                       | 4.88%               | 10.37%              | 9.84%                        |                     |                     |

(\*) 5-year forecasts, approved by the Board of Directors on 8 February 2024, which were developed by the management taking into account the 2024-26 Business Plan, the 2024 budget, the 2023 final results as well as the most recent market forecasts available

(\*\*) 5-year forecasts that have been developed by Banco Desio management taking into account the 2023-2025 Business Plan approved by the AMC Board of Directors on 24 March 2023, the final 2023 results as well as the most recent market forecasts available

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

(\*\*\*\*) In 2023 and 2022: Target allocated capital on the estimated entity (CET1 average 5Y) also in order to oversee consistency with compliance with the minimum CET1 levels at CRR Group level. In 2021: Target allocated capital on the Banco Desio Group estimated (CET1 average 5Y) also in order to monitor compliance with the minimum CET1 levels at CRR Group level.

(\*\*\*\*\*) Target allocated capital on Anthilia Capital Partners SGR estimated considering the "Other risks" requirement



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

|                                                                  | 31.12.2023        |                     |                     |                              | 31.12.2022        |                     |                     | 31.12.2021        |                     |                     |
|------------------------------------------------------------------|-------------------|---------------------|---------------------|------------------------------|-------------------|---------------------|---------------------|-------------------|---------------------|---------------------|
| CGU                                                              | BDB<br>(goodwill) | Fides<br>(goodwill) | Group<br>(goodwill) | Anthilia SGR<br>(investment) | BDB<br>(goodwill) | Fides<br>(goodwill) | Group<br>(goodwill) | BDB<br>(goodwill) | Fides<br>(goodwill) | Group<br>(goodwill) |
| Decrease in % of Future Net Results (NR)                         | 31.39%            | 53.00%              | 30.17%              | 20.14%                       | 32.21%            | 54.91%              | 33.96%              | 43.56%            | 39.60%              | 42.50%              |
| Increase in bps of the discount rate of future cash flows (FCFE) | Over 1,000        | Over 4,000          | 536                 | 230                          | Over 1,000        | Over 1,000          | 747                 | Over 1,000        | 992                 | 683                 |

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

For qualitative and quantitative information on how the impairment test was performed, in which the effects of climate change were implicitly considered, please refer to the following sections "Equity Investments - Item 70" and "Intangible Assets - Item 100" in "Part B - Information on the Balance Sheet".

#### ***Estimating the recoverability of deferred tax assets***

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

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

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

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

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

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

### **Estimating provisions for risks and charges**

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

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

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

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

### **Estimating employee benefit obligations**

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

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

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

| <b>Demographic assumptions</b>                                | <b>31.12.2023</b>                                                                           | <b>31.12.2022</b>  | <b>31.12.2021</b> |
|---------------------------------------------------------------|---------------------------------------------------------------------------------------------|--------------------|-------------------|
| 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%                                                                                       |                    |                   |
| <b>Financial assumptions</b>                                  | <b>31.12.2023</b>                                                                           | <b>31.12.2022</b>  | <b>31.12.2021</b> |
| Iboxx Euro Corporate AA discount rate 7-10 years (*)          | 3.42%                                                                                       | 3.42%              | 0.38%             |
| Inflation rate                                                | 3.04%                                                                                       | 5.9% for 2023 (**) | 1.20%             |

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

(\*\*) 2.3% for 2024, 2.0% from 2025

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

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

### **Going concern**

These financial statements are prepared under the going concern assumption. In consideration of the capital solidity and the growing operational management with reference to the main commercial priorities of the strategic plan, the level of NPL ratio under control and in line with previous years and the further initiatives adopted to minimise the effects of the economic situation, the Directors in fact, have a reasonable expectation that the Bank will continue with its operational existence in the foreseeable future and have prepared the financial statements with the presumption of business continuity. The Directors therefore believe that the risks and uncertainties that the Bank may encounter in the course of operations, also considering the continuing negative effects of the macroeconomic context mentioned, are not such as to generate doubts about the Group's ability to continue as a going concern.

For information on risks and related controls, please refer to "Part E - Information on risks and related hedging policies", as well as to the Report on Operations.

### **Contractual amendments resulting from COVID-19**

#### **1) Contractual amendments and derecognition (IFRS 9)**

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

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

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

#### **2) Amendment of accounting standard IFRS 16**

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

### **TLTRO III - "Targeted Longer Term Refinancing Operations"**

TLTRO III "Targeted Longer Term Refinancing Operations" are financing operations conducted by the European Central Bank aimed at maintaining favourable bank credit conditions. Banco Desio participated in four TLTRO III auctions for a total outstanding amount of Euro 1.445 billion following the natural maturity of two TLTRO III tranches (June and December 2023, respectively) for Euro 1.6 billion during 2023.

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:

- 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
- 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 Standards, Changes in Accounting Estimates and Errors, Banco Desio has established an accounting policy whereby the provisions of IFRS 9 Financial Instruments were deemed applicable.

Taking into account the decisions taken over time by the Governing Council of the ECB, in 2023, Banco Desio recognised interest expense for a total of Euro 92.5 million (against negative interest of Euro 17.4 million in the previous year).

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

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

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

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

### **Sales related to the "Held to Collect" business model**

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

In particular, it should be noted that gains were realised in the year from the sale of bonds in the HTC portfolio for Euro 3.8 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 431 million took

place in compliance with the turnover thresholds set for the HTC portfolio (turnover at 31 December 2023 of 9.85% compared to the 10% threshold value).

Since these exposures are classified as "Financial assets measured at amortised cost", i.e. in the portfolio held with the objective of collecting the contractual cash flows (so-called "Held to Collect" or "HTC"), IFRS 9 requires that they be sold subject to certain thresholds of significance or frequency, near maturity, in the presence of increased credit risk, or in the occurrence of exceptional circumstances of liquidity stress. During the year, the eligibility criteria for sales of financial assets managed with the HTC business model applied to the proprietary securities portfolio were reviewed. In this regard, an analysis was conducted to, among other things, review the approach adopted by the Bank against current best market practices.

Taking into account the update mentioned above, it is noted that the management of debt securities classified in the HTC and "Held To Collect and Sell" (or "HTCS") portfolios continues in line with the choices made previously; therefore, no change in the business model occurred during the reference period that would have led to a reclassification of the portfolio.

### **Option for National Tax Consolidation**

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

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

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

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

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

That being said, in compliance with the provisions of the art. 1, paragraph 125, of law No. 124 of 4 August 2017, we inform you that during the 2023 financial year, no amount was collected by the entities of the Banco Desio Group by way of "grants, contributions, paid assignments and in any case economic benefits

of any kind".

### **Comparability of Financial Statements**

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

The balance sheet and income statement figures for the reporting period were affected by the aggregation transaction known as the "Lanternina Transaction" in application of IFRS 3 *Business Combinations*. The balance sheet and income statement figures for the reporting period and the comparison period were also affected by the sale of the merchant acquiring business unit called "Aquarius Transaction" in application of IFRS 5 *Non-current assets held for sale and discontinued operations*.

### **Terms for the approval and publication of financial statements**

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

The draft financial statements of Banco di Desio e della Brianza S.p.A. were approved by the Board of Directors at its meeting of 29 February 2024 and will be submitted for approval to the Shareholders' Meeting called for 18 April 2024.

### **Statutory Audit**

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

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

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

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

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

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

#### *Classification criteria*

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

- financial assets held for trading, mainly consisting of debt and equity securities and the positive value of derivative contracts held for trading purposes;
- financial assets that must be measured at fair value, represented by financial assets that do not meet the requirements for measurement at amortised cost or fair value with an impact on 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 heading 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 value 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 valuation 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.

#### ***Value adjustment of financial assets and financial liabilities subject to macro hedging***

These items include, respectively, changes in the fair value of financial assets and liabilities subject to macro hedging against interest rate risk, based on their respective balance, whether positive (item "60. Value adjustment of financial assets subject to macro hedging") and negative (item "50. Value adjustment of financial liabilities subject to macro hedging"), whose economic balancing entry is item "90. Net hedging result", as well as for specific fair value hedges.

#### ***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.

### ***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.

Any remaining balances (of "credit balance") of in transit and suspended items not allocated to the relevant accounts may also be included.

### ***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.

### **Share-based payments or phantom shares**

These are payments to employees, as consideration for work performed, settled by means of equity instruments, which consist, for example, of the allocation of:

- rights to subscribe to paid-in capital increases (stock options);
- rights to receive shares or phantom shares (so-called "phantom shares") upon reaching certain targets.

For accounting purposes, in accordance with IFRS 2, payments based on "phantom shares" adopted by Banco Desio are configured as "cash settled" plans, to be recognised on the basis of the fair value of the services received.

In view of the difficulties in directly estimating the fair value of the services received in return for the grant of shares, it is possible to measure the value of the services received indirectly by reference to the fair value of the equity instruments at the date of their grant.

Personnel incentive plans based on treasury shares are therefore recognised in the income statement (item "190. a) Personnel expenses") against a corresponding increase in shareholders' equity (item "100. c) other provisions for risks and charges"), based on the fair value of the financial instruments granted at the grant date and according to the accrual criterion of the service provided.

In particular, when the shares granted are not immediately "usable" by the employee, but will be when the employee has completed a specific period of service, the company recognises the cost, as consideration for the service rendered, over the vesting period.

For the subsidiaries, too, the incentive plans based on the Parent Company's "phantom shares", and not on treasury shares, are configured as "cash settled" plans. Pursuant to IFRS 2, in the respective company



financial statements and with a view to the consolidated financial statements, the accrued cost is therefore recognised under personnel expenses as a balancing entry to increase item "100. c) other provisions for risks and charges for the cash component" and to increase item "150. Reserves" for the equity component) settled through the Parent Company's "*phantom shares*".

### **Repurchase agreements, securities lending and contangos**

Repurchase agreements or contangos, whereby the Group sells securities to third parties with the obligation to repurchase them at the maturity date of the transactions at a predetermined price, are recorded under liabilities to banks or to customers depending on the counterparty. Similarly, repurchase agreements or contangos, whereby the Group purchases securities from third parties with the obligation to resell them at the maturity date of the transactions at a predetermined price, are accounted for as loans with banks or customers (accounting category of "Financial assets measured at amortised cost"), depending on the counterparty. The difference between the spot and forward prices of the aforementioned transactions is accounted for as interest (payable or receivable, as the case may be) and recorded on an accrual basis over the life of the transaction. Securities lending transactions in which the collateral is cash that is fully available to the lender are recognised in the financial statements in the same way as the aforementioned repurchase agreements.

In the case of securities lending transactions with collateral in the form of other securities, or without collateral, the lender and borrower continue to recognise in the assets side of the balance sheet, respectively, the security lent and the security given as collateral. The remuneration for such operations is recognised by the lender under item "40. Fee and commission income" and by the borrower under item "50. Fee and commission expense".

### **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<sup>6</sup> 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, 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.

For further details, please refer to the information provided in these Notes to the Financial Statements under "Part E - Section 1 - C. Securitisation transactions".

### **Leases**

IFRS 16 defines a lease as that contract, or part of a contract, under which the lessor grants the lessee the right to use an identified asset (ROU - "Right of Use") for a certain period of time in exchange for a certain fee. The key elements in defining whether a contract, or any part of it, meets the definition of a lease are

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<sup>6</sup> 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.

that the asset is identified, that the lessee has the right to control the use of the asset, and that the lessee receives substantially all of the economic benefits.

#### *Recognition in the lessee's financial statements*

If the Group acts in the capacity of lessee, the IFRS 16 accounting model provides for the recognition of a liability in the balance sheet based on the present value of future lease payments to be made over the contractual term, with the right to use the leased asset recognised as an asset.

In detail, the date of initial recognition of the asset and liability in the company's balance sheet corresponds to the effective date of the contract, i.e. the date on which the asset is made available to the lessee.

On that date, the lessee recognises:

- under "Tangible Assets", the asset for the right of use, determined by the sum of the following values:
  - present value of future payments (value of recognised liability);
  - initial direct costs (such as, for example, agent costs);
  - lease fees paid in advance (maxi-fee);
  - estimate of any costs for removal and restoration, recognised in accordance with IAS 37;
  - net of any lease incentives received by the lessor;

under "Financial liabilities measured at amortised cost", the financial liability, equal to the present value of the lease payments due. The discount rate used is equal to the incremental borrowing rate on the contract date.

In identifying a lease contract, the Banco Desio Group avails itself of the option granted by IFRS 16 to disregard "short-term" contracts, i.e. those with a maturity of less than 12 months, and "low value" contracts, i.e. those with a value of the assets as new of less than Euro 5,000. This option may be exercised on a contract-by-contract basis, in which case the costs of the fees are recognised directly in the income statement when they accrue.

With reference to the term of the lease, in addition to the non-cancellable period in which the Group cannot avoid paying the lease instalments, options to extend the lease term are considered if it is reasonably certain that they will be exercised by the Group, taking into account all facts and circumstances. In particular, with reference to contracts that provide for the tenant's option to renew the lease at the end of the first term, the Group considers the initial term of the lease (e.g. 12-year term for 6-year + 6-year leases) and, once this term has expired, the next first renewal period (e.g. the next 6 years), where there is no reasonable evidence that this could lead to a further renewal period or, vice versa, to the end of the contract. Furthermore, the lease is assumed to be renewed in the next period if in the 18 months prior to the expiry of the first or subsequent renewal period, the lessee has not given notice of termination to the lessor.

After registration:

- the right of use must be measured at cost according to IAS 16 and subject to amortisation and possible impairment over the term of the contract or the useful life of the asset;
- the liability is measured at amortised cost, i.e. it is increased as interest expense accrues and gradually reduced as royalty payments are made.

In the event of a change in the lease payments due, the liability must be restated, with a balancing entry against the right-of-use asset. The modification may result in the registration of a separate lease (if the subject matter of the existing contract increases) or in the modification of the existing contract (so-called "lease modification"). In the presence of a lease modification, it is necessary to recognise the change in

the lease liability at the effective date of the modification, as a balancing entry to the right-of-use asset, with the exception of gains and losses arising from the cancellation (partial or total) of the lease, which flow to the income statement.

#### *Recognition in the lessor's financial statements*

If the Group acts as lessor, the IFRS 16 accounting model requires a distinction to be made between assets granted under finance leases and assets granted under operating leases, depending on the different accounting treatment applicable to the two cases.

In detail, a lease is classified as a financial lease if it transfers substantially all risks and rewards to the lessee. A financial lease is, in effect, a financing contract whereby the leasing company acquires, in lieu of the lessee, an asset by assigning the right of use to the lessee.

Recognition in the lessor's financial statements takes place using the financial method, by recording a receivable in the amount of the principal portion of the lease payments to be received (increased by non-recovered "up-front" external transaction costs and reduced by "up-front" transaction revenues that contribute to the remuneration of the receivable), as if it were a financing transaction.

Subsequently, the loan is measured at amortised cost, which is equal to the initial recognition value less principal repayments, less or increased by the amortisation - calculated using the effective interest rate method - of the difference between the amount disbursed and the amount repayable on maturity, typically attributable to costs/income directly allocated to the individual loan. Loans are subject to the rules of impairment. For more details on the accounting rules for loans measured at amortised cost, please refer to point "3. Financial assets measured at amortised cost" of this part A.2.

In the case of operating leases, the lessor's financial statements continue to show the leased assets and the lease payments are recognised as revenues in the income statement. At Group level, this is the case for real estate owned and leased; in this case, these properties continue to be recognised as "Tangible assets held for investment purposes", according to the relevant valuation criterion (cost). In the income statement, the income from the lease of these assets flows into the item "other operating income".

#### **Off-balance sheet credit exposures - guarantees given and commitments**

Off-balance sheet credit exposures consist of guarantees given and commitments to disburse funds on predefined terms and conditions that involve the assumption of a credit risk and fall within the scope of the impairment provisions of IFRS 9.

The initial recognition value of guarantees given is equal to the fair value, which normally corresponds to the amount received when the guarantee was issued.

Subsequently, guarantees given are valued at the higher of the amount recognised at initial recognition, net of any amortised portion, and the amount estimated to be required to fulfil the obligation.

For the purpose of calculating the expected loss, use was made of the same methods of allocation to the three stages of credit risk provided for by IFRS 9 and already described in part "3 - Financial assets measured at amortised cost" and "2 - Financial assets measured at fair value through other comprehensive income" as well as in part "16 - Other information, Methods for determining impairment of financial assets".

As shown in part "10 - Provisions for risks and charges", the provisions related to the impairment of guarantees given and commitments to disburse funds are entered under balance sheet item "100. Provisions for risks and charges: a) commitments and guarantees given", in accordance with the provisions of Bank of Italy Circular No. 262; the balancing entry is income statement item "200. Net allocations to provisions for risks and charges: a) commitments and guarantees given".

## Methods for determining impairment of financial instruments IFRS 9

At each balance sheet or interim reporting date, loans and debt securities classified as “Financial assets measured at amortised cost” and “Financial assets measured at fair value through other comprehensive income” - as well as off-balance sheet exposures represented by commitments to disburse funds and guarantees given - must be subject to an impairment process, aimed at estimating expected credit losses (ECL).

### *General aspects of the impairment model*

According to the Expected Credit Losses calculation model, losses must be recognised not only by reference to objective evidence of impairment losses already manifested at the valuation date, but also on the basis of the expectation of future impairment losses that have not yet occurred.

In particular, the ECL model provides that the aforementioned instruments must be classified into three distinct “stages”, according to their absolute or relative credit quality with respect to the initial disbursement, to which correspond different criteria for measuring expected losses. In detail:

- Stage 1: comprises the performing financial assets, whether originated or acquired, for which no significant deterioration in credit risk (“SICR - Significant Increase in Credit Risk”) has been observed since initial recognition;
- Stage 2: includes performing financial assets that at the valuation date have experienced a significant deterioration in credit risk (SICR) since initial recognition, although not impaired;
- Stage 3: includes all exposures for which there are one or more events capable of negatively impacting cash flows (evidence of impairment), i.e. exposures that are considered impaired.

For Stage 1 exposures, the expected loss is recognised, at initial recognition and at each subsequent reporting date, over a time horizon of up to one year; for Stage 2 and 3 exposures, expected losses are recognised over a time horizon that considers the entire remaining life of the instrument (lifetime).

An exception to the above is represented by financial assets considered impaired since their acquisition or origination (so-called “POCI - Purchased or Originated Credit Impaired”), for which reference should be made to the section on “Purchased or originated impaired financial assets”.

The perimeter of the exposures classified in Stage 3 corresponds to that of impaired exposures, identified on the basis of the definitions established by supervisory regulations (Bank of Italy Circular No. 272 “Accounts Matrix”) and recalled by Bank of Italy Circular No. 262 “Banks’ financial statements: formats and rules for preparation”, as they are considered consistent with IAS/IFRS accounting regulations, in terms of objective evidence of impairment. In detail, the aforementioned circulars identify the following categories of impaired assets:

- Bad loans: represent on and off-balance sheet exposures to borrowers that are unable to meet their payment obligations – even if their insolvency has not been established by a court of law – or in equivalent conditions, regardless of any loss forecasts formulated by the Bank;
- Unlikely to pay: represent on-balance-sheet and off-balance-sheet exposures for which the conditions for the debtor’s classification as bad loans do not exist and for which it is considered unlikely that, without recourse to actions such as the enforcement of collateral, the debtor will meet its credit obligations in full (in principal and/or interest). This assessment is conducted independently of the presence of any overdue and unpaid amounts (or instalments). Classification among unlikely to pay is not necessarily linked to the explicit presence of anomalies, such as non-repayment, but is linked to the existence of elements indicative of a situation in which the debtor is at risk of default (e.g. a crisis in the industrial sector in which the debtor operates);
- Past-due and/or overdrawn impaired exposures: on-balance sheet exposures, other than those classified as bad loans or unlikely to pay, which, as at the reporting date, have been past due and/or overdrawn for more than 90 days, according to the materiality thresholds set out in the

aforementioned regulations. For the Group, past-due and/or overdrawn impaired exposures are determined by reference to the position of the individual debtor.

In addition, Bank of Italy regulations, in line with EBA standards, introduced the definition of "Forborne Exposures". In particular, these are exposures benefiting from forbearance measures, which consist of concessions, in terms of modification and/or refinancing of a pre-existing loan, to a borrower solely because of, or to prevent, its financial distress that could adversely affect its ability to fulfil its original contractual commitments, and which would not have been granted to another debtor with a similar risk profile not in financial distress. Such forbearances must be identified at the individual facility level and may relate to exposures of debtors classified in both performing and non-performing (impaired) status.

For exposures with forbearance measures, which are classified as unlikely to pay, the return to performing exposures, and in particular to "Stage 2" exposures, can only take place after one year has elapsed from the time of granting (the so-called "probation period") and all other conditions set out in paragraph 157 of the EBA ITS are met.

In any event, renegotiated exposures should not be considered forborne when the borrower is not in a situation of financial difficulty: these are renegotiations granted for commercial reasons.

#### Impairment losses on performing financial instruments

For performing financial assets, i.e. those assets not considered impaired as defined above, it is necessary to assess, at each reporting date, the presence of a Significant Increase in Credit Risk (SICR), by comparing the credit risk associated with the financial instrument at the time of valuation with that at the time of disbursement or acquisition. This comparison is made using both quantitative and qualitative criteria. More specifically, in order to ascertain the existence of a significant deterioration in credit quality and the consequent passage of the financial instrument from Stage 1 to Stage 2, the Banco Desio Group has identified the following criteria ("Stage Assignment"):

- relative quantitative criteria, based on statistical observations or on changes in PD above a certain threshold considered to be a backstop indicator, deemed to be an expression of a significant increase in credit risk over time;
- absolute qualitative criteria, represented by the identification of trigger events or the exceedance of absolute thresholds within the credit monitoring process;
- backstop indicators, i.e. credit "delinquency" factors, the manifestation of which suggests that a significant increase in credit risk has occurred, unless there is evidence to the contrary.

For further details on the model used to determine expected losses on performing exposures, with particular reference to the stage assignment criteria, the method of calculating risk parameters, the macroeconomic forecast scenarios and the relative probabilities of occurrence, please refer to the section "2.3 Methods for measuring expected losses" contained in Part E of these Notes to the Financial Statements, under the section on credit risk.

### Impairment losses on impaired financial instruments

As illustrated above, for impaired financial assets, to which a probability of default of 100% is associated, the amount of value adjustments for expected losses relating to each loan is equal to the difference between its carrying amount (interim situation) at the time of valuation (amortised cost), and the present value of expected future cash flows, calculated by applying the original effective interest rate or a reasonable approximation thereof where the original rate is not directly available. Cash flows are estimated on the basis of the expected recovery over the entire life of the asset (lifetime), taking into account the estimated realisable value of any guarantees.

In order to estimate the expected cash flows and related timing, the loans under review are subject to an analytical valuation process. For certain homogeneous categories of non-performing loans, the valuation processes provide for loss forecasts to be based on "lump-sum" calculation methodologies, to be analytically traced back to each individual position. The perimeter of exposures subject to a lump-sum valuation process is represented:

- by bad loans and unlikely to pay with exposure less than or equal to an established materiality threshold of Euro 25 thousand;
- by the total of impaired past-due exposures regardless of the exposure materiality threshold. In particular, these are loans with continuous overdrafts or late payments, automatically identified by the Group's IT procedures, according to the aforementioned rules of the Supervisory Authority.

On the other hand, the analytical valuation provides for different minimum loss criteria depending on the counterparty's risk status at the time of quantification (Bad loans, Unlikely to pay, Past-Due), the type of exposure (Secured, Unsecured), and the presence of guarantees other than mortgages (sureties, pledges, trusts). In detail, for securitised exposures, the valuation is based on the valuation of the underlying assets (collateral) and the application of appropriate haircuts according to the type of real estate collateral, while for unsecured exposures, the loss forecast is defined as a complement to the recovery curves based on the observation of internal time series, taking into account any mitigating elements deriving from the presence of other guarantees. In addition, the so-called time value, i.e., the time estimated for recovery of the loan differentiated according to vintage, and the probability of transition to bad loan status (Danger Rate) for exposures classified as Unlikely to pay, are taken into account for loss forecasting purposes.

Consistently with the objectives for the transfer of impaired credit exposures, established from time to time by the Board of Directors, the quantification of the expected losses of the aforementioned exposures includes forward-looking elements, through the introduction of specific sale scenarios, where the Group's NPL strategy envisages that the recovery of the aforementioned exposures may take place through a sale on the market, with a view to pursuing a derisking strategy aimed at reducing the NPL ratio, i.e., the percentage of impaired exposures with respect to the total exposures.

Consequently, the estimate of the expected losses of these positions reflects not only the expected recovery through ordinary operations (work out) but also the presence, appropriately calibrated, of the sales scenario and therefore of the related cash flows.

For further details on the model used to determine expected losses on performing exposures, with particular reference to the stage assignment criteria, the method of calculating risk parameters, the macroeconomic forecast scenarios and the relative probabilities of occurrence, please refer to the section "2.3 Methods for measuring expected losses" contained in Part E of these Notes to the Financial Statements, under the section on credit risk.

### ***Purchased or originated impaired financial assets***

If, upon initial recognition, a credit exposure classified in the items "Financial assets measured at fair value through profit or loss" or "Financial assets at amortised cost" is impaired, it qualifies as a "Purchase or Originated Impaired Credit Impaired Financial Asset" (POCI).

An asset is considered impaired on initial recognition if the credit risk is very high and, in the case of purchase, the price has been paid at a significant discount to the outstanding contractual debt. These assets are initially recognised at Stage 3, with the possibility of reclassification to Stage 2. Thus, an expected loss will be recognised on them using an impairment model based on lifetime ECL.

With reference to the criteria for initial recognition, measurement and derecognition, reference is made to as illustrated under the asset headings into which they can be classified, except as specified below, with reference to the method of determining amortised cost and impairment.

In detail, the amortised cost and consequently the interest income is calculated using a credit-adjusted effective interest rate. With respect to the determination of the effective interest rate, the aforementioned credit adjustment consists of taking into account expected credit losses over the entire remaining life of the asset when estimating future cash flows.

In addition, the assets under consideration also provide for a special treatment with regard to the impairment process, as they are always subject to the determination of an expected loss over the life of the financial instrument; therefore, after initial recognition, gains or losses arising from any change in the expected loss over the life of the loan with respect to the initial loss must be recognised in the income statement. It is therefore not possible for the calculation of expected losses for such assets to be made using a time horizon of one year.

For the Group, the main events referable to the POCI are those resulting from the Lanternina business combination transaction and the repurchase of bad loans by the vehicle 2Worlds Srl (GACS transaction).

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

Decree Laws No. 18/2020 (so-called “Heal Italy”) and No. 34/2020 (so-called “Relaunch”) have introduced into the Italian legal system tax incentive measures connected with both investment expenditure (e.g. eco and sismabonus) and current expenditure (e.g. rents of premises for non-residential use). These tax incentives are applied to households or businesses, they are commensurate with a percentage of the expenditure incurred (which in some cases even reaches 110%) and are disbursed in the form of tax credits or tax deductions (with an option to convert them into tax credits). The main features of these tax credits are (i) the possibility of using them for offsetting; (ii) transferability to third-party purchasers; and (iii) non-refundability by the tax authorities.

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

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

Given that purchased tax credits do not represent tax assets, government grants, intangible assets or financial assets under international accounting standards, the most appropriate classification for the

purposes of presentation in the financial statements is the residual classification under Other Assets in the balance sheet.

### ***Business combination transactions: purchase price allocation***

#### *Introduction*

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

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

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

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

#### *Fair value of assets and liabilities acquired*

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

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

Financial assets and liabilities must be measured at fair value at the date of the business combination, even if they are measured according to other criteria in the financial statements of the acquired

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<sup>7</sup> 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".



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               | 53,834                       | 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 2,198 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

As already reported in previous years, following the Parent Company's change of business model at the end of the third quarter of 2018, the HTC portfolio is the portfolio with the most significant financial instrument position compared to the HTCS portfolio.

In 2020, the operating limits of the HTCS portfolio and the trading portfolio were updated in order to make their composition as close as possible to the management purposes of the business models in light of the developments in the financial market context in the meantime.

During 2023, the eligibility criteria for sales of financial assets managed with the HTC business model applied to the proprietary securities portfolio were reviewed. In this regard, an analysis was conducted to, among other things, review the approach adopted by the Parent Company against current best market practices.

Taking into account the update mentioned above, the management of debt securities classified in the HTC and HTCS portfolios continues in line with the choices made previously; therefore, no change in the business model occurred during the reference year that would have led to a reclassification of the portfolio.

## **A.4 INFORMATION ON FAIR VALUE**

### **Qualitative information**

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

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

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

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

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

### ***Fair value determined with level 1 inputs***

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

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

The key elements are as follows:

- identification of the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability;
- whether the entity can enter into a transaction for the asset or liability at the price in that market at the measurement date.

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

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

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

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

- listed prices for similar assets or liabilities in active markets;
- listed prices for identical or similar assets or liabilities in inactive markets;
- data other than observable listed prices for the asset or liability, for example:
  - o interest rates and yield curves observable at commonly intervals;
  - 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 are stated at their carrying amount, which is a reasonable approximation of fair value (Level 3);
- for bonds issued, fair value is calculated using the discounted cash flow method, applying a credit spread (Level 2);
- tangible assets held for investment purposes: fair value is determined on the basis of an estimate made using a series of information sources relating to the real estate market and making the appropriate adjustments/increases in relation to parameters such as location, size, age, intended use of the premises and extraordinary maintenance, as well as by comparison with the estimate made by independent external experts (Level 3).

#### **A.4.2 Valuation processes and sensitivities**

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

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

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

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

#### **A.4.3 Fair value hierarchy**

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

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

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

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

#### **A.4.4 Other information**

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

## Quantitative information

### A.4.5 Fair value hierarchy

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

| Financial assets/liabilities measured at fair value                           | 31.12.2023     |               |                | 31.12.2022     |                |               |
|-------------------------------------------------------------------------------|----------------|---------------|----------------|----------------|----------------|---------------|
|                                                                               | L1             | L2            | L3             | L1             | L2             | L3            |
| 1. Financial assets measured at fair value through profit or loss             | 35,235         | 1,573         | 122,467        | 24,850         | 21,411         | 93,559        |
| a) Financial assets held for trading                                          | 6,232          | 907           | 759            | 5,140          | 19,690         | 934           |
| b) Financial assets designated at fair value                                  | -              | -             | -              | -              | -              | -             |
| c) Other financial assets mandatorily measured at fair value                  | 29,003         | 666           | 121,708        | 19,710         | 1,721          | 92,625        |
| 2. Financial assets measured at fair value through other comprehensive income | 822,257        | 10,000        | 3,208          | 800,952        | 38,186         | 3,208         |
| 3. Hedging derivatives                                                        | -              | 21,431        | -              | -              | 59,099         | -             |
| 4. Tangible assets                                                            | -              | -             | -              | -              | -              | -             |
| 5. Intangible assets                                                          | -              | -             | -              | -              | -              | -             |
| <b>Total</b>                                                                  | <b>857,492</b> | <b>33,004</b> | <b>125,675</b> | <b>825,802</b> | <b>118,696</b> | <b>96,767</b> |
| 1. Financial liabilities held for trading                                     | -              | 1,062         | 688            | -              | 3,278          | 852           |
| 2. Financial liabilities designated at fair value                             | -              | -             | -              | -              | -              | -             |
| 3. Hedging derivatives                                                        | -              | 14,556        | -              | -              | -              | -             |
| <b>Total</b>                                                                  | <b>-</b>       | <b>15,618</b> | <b>688</b>     | <b>-</b>       | <b>3,278</b>   | <b>852</b>    |

#### Key

L1 = Level 1

L2 = Level 2

L3 = Level 3

Investments measured on the basis of unobservable parameters (level 3) make up a particularly small portion of all financial assets measured at fair value (12.37% compared to 9.29% at the end of 2022). These investments consist almost entirely of investments in UCITS mandatorily measured at fair value.

At 31 December 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 to mitigate credit risk (CSA agreements).



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

| Financial assets measured at fair value through profit or loss |                |                                                         |                                                                    |                                                                                 |                                                                                           |                        |                    |                      |
|----------------------------------------------------------------|----------------|---------------------------------------------------------|--------------------------------------------------------------------|---------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------|------------------------|--------------------|----------------------|
|                                                                | Total          | of which: a)<br>financial<br>assets held<br>for trading | of which: b)<br>financial<br>assets<br>designated<br>at fair value | of which: c) other<br>financial assets<br>mandatorily measured<br>at fair value | Financial assets<br>measured at fair<br>value through<br>other<br>comprehensive<br>income | Hedging<br>derivatives | Tangible<br>assets | Intangible<br>assets |
| <b>1. Opening balance</b>                                      | <b>93,559</b>  | <b>934</b>                                              | -                                                                  | <b>92,625</b>                                                                   | <b>3,208</b>                                                                              | -                      | -                  | -                    |
| <b>2. Increases</b>                                            | <b>43,427</b>  | <b>746</b>                                              | -                                                                  | <b>42,681</b>                                                                   | -                                                                                         | -                      | -                  | -                    |
| 2.1. Purchases                                                 | 42,303         | -                                                       | -                                                                  | 42,303                                                                          | -                                                                                         | -                      | -                  | -                    |
| 2.2. Profits recognised in:                                    | 1,124          | 746                                                     | -                                                                  | 378                                                                             | -                                                                                         | -                      | -                  | -                    |
| 2.2.1. Income Statement                                        | 1,124          | 746                                                     | -                                                                  | 378                                                                             | -                                                                                         | -                      | -                  | -                    |
| - of which gains                                               | 1,109          | 746                                                     | -                                                                  | 363                                                                             | -                                                                                         | -                      | -                  | -                    |
| 2.2.2. Equity                                                  | -              | X                                                       | X                                                                  | -                                                                               | -                                                                                         | -                      | -                  | -                    |
| 2.3. Transfers from other levels                               | -              | -                                                       | -                                                                  | -                                                                               | -                                                                                         | -                      | -                  | -                    |
| 2.4. Other increases                                           | -              | -                                                       | -                                                                  | -                                                                               | -                                                                                         | -                      | -                  | -                    |
| <b>3. Decreases</b>                                            | <b>14,519</b>  | <b>921</b>                                              | -                                                                  | <b>13,598</b>                                                                   | -                                                                                         | -                      | -                  | -                    |
| 3.1. Sales                                                     | -              | -                                                       | -                                                                  | -                                                                               | -                                                                                         | -                      | -                  | -                    |
| 3.2. Reimbursements                                            | 83             | -                                                       | -                                                                  | 83                                                                              | -                                                                                         | -                      | -                  | -                    |
| 3.3. Losses recognised in:                                     | 9,376          | 921                                                     | -                                                                  | 8,455                                                                           | -                                                                                         | -                      | -                  | -                    |
| 3.3.1. Income Statement                                        | 9,376          | 921                                                     | -                                                                  | 8,455                                                                           | -                                                                                         | -                      | -                  | -                    |
| - of which losses                                              | 9,376          | 921                                                     | -                                                                  | 8,455                                                                           | -                                                                                         | -                      | -                  | -                    |
| 3.3.2. Equity                                                  | -              | X                                                       | X                                                                  | -                                                                               | -                                                                                         | -                      | -                  | -                    |
| 3.4. Transfers from other levels                               | -              | -                                                       | -                                                                  | -                                                                               | -                                                                                         | -                      | -                  | -                    |
| 3.5. Other decreases                                           | 5,060          | -                                                       | -                                                                  | 5,060                                                                           | -                                                                                         | -                      | -                  | -                    |
| <b>4. Closing balance</b>                                      | <b>122,467</b> | <b>759</b>                                              | -                                                                  | <b>121,708</b>                                                                  | <b>3,208</b>                                                                              | -                      | -                  | -                    |

#### 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 |
|----------------------------------|----------------------------------------|------------------------------------------------|---------------------|
| <b>1. Opening balance</b>        | <b>852</b>                             | -                                              | -                   |
| <b>2. Increases</b>              | <b>688</b>                             | -                                              | -                   |
| 2.1 Issuances                    | -                                      | -                                              | -                   |
| 2.2. Losses recognised in:       | 688                                    | -                                              | -                   |
| 2.2.1. Income Statement          | 688                                    | -                                              | -                   |
| - of which losses                | 688                                    | -                                              | -                   |
| 2.2.2. Equity                    | X                                      | -                                              | -                   |
| 2.3. Transfers from other levels | -                                      | -                                              | -                   |
| 2.4. Other increases             | -                                      | -                                              | -                   |
| <b>3. Decreases</b>              | <b>852</b>                             | -                                              | -                   |
| 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             | -                                      | -                                              | -                   |
| <b>4. Closing balance</b>        | <b>688</b>                             | -                                              | -                   |

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

| Assets/Liabilities not measured at fair value or measured at fair value on a non-recurring basis | 31.12.2023        |                  |                  |                   | 31.12.2022        |                  |                  |                   |
|--------------------------------------------------------------------------------------------------|-------------------|------------------|------------------|-------------------|-------------------|------------------|------------------|-------------------|
|                                                                                                  | CA                | L1               | L2               | L3                | CA                | L1               | L2               | L3                |
| 1. Financial assets measured at amortised cost                                                   | 14,888,148        | 2,596,743        | 240,361          | 10,365,661        | 14,658,920        | 1,922,475        | 754,119          | 11,297,059        |
| 2. Tangible assets held for investment purposes                                                  | 2,790             | -                | -                | 4,434             | 1,805             | -                | -                | 2,867             |
| 3. Non-current assets and groups of assets held for sale                                         | -                 | -                | -                | -                 | 1                 | -                | -                | 1                 |
| <b>Total</b>                                                                                     | <b>14,890,938</b> | <b>2,596,743</b> | <b>240,361</b>   | <b>10,370,095</b> | <b>14,660,726</b> | <b>1,922,475</b> | <b>754,119</b>   | <b>11,299,927</b> |
| 1. Financial liabilities measured at amortised cost                                              | 16,795,988        | -                | 2,205,972        | 14,515,893        | 16,084,575        | -                | 1,493,586        | 14,553,001        |
| 2. Liabilities related to assets held for sale                                                   | -                 | -                | -                | -                 | 11                | -                | -                | 11                |
| <b>Total</b>                                                                                     | <b>16,795,988</b> | <b>-</b>         | <b>2,205,972</b> | <b>14,515,893</b> | <b>16,084,586</b> | <b>-</b>         | <b>1,493,586</b> | <b>14,553,012</b> |

#### Key

CA = Carrying amount

L1 = Level 1

L2 = Level 2

L3 = Level 3

## **A.5 INFORMATION ON THE “DAY ONE PROFIT/LOSS”**

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

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

## PART B - INFORMATION ON THE CONSOLIDATED BALANCE SHEET

### ASSETS

#### Section 1 - Cash and cash equivalents - Item 10

##### 1.1 Cash and cash equivalents: breakdown

|                                                            | 31.12.2023       | 31.12.2022     |
|------------------------------------------------------------|------------------|----------------|
| a) Cash                                                    | 83,370           | 55,363         |
| b) Current accounts and demand deposits with central banks | 1,521,338        | 765,043        |
| c) Current accounts and demand deposits with banks         | 50,479           | 59,187         |
| <b>Total</b>                                               | <b>1,655,187</b> | <b>879,593</b> |

The item includes the amount on demand for Euro 1,521 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.

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

### 2.1 Financial assets held for trading: breakdown by type

| Items/Values                         | 31.12.2023   |            |            | 31.12.2022   |               |            |
|--------------------------------------|--------------|------------|------------|--------------|---------------|------------|
|                                      | L1           | L2         | L3         | L1           | L2            | L3         |
| <b>A. On-balance sheet assets</b>    |              |            |            |              |               |            |
| 1. Debt securities                   | 1,819        | -          | -          | -            | 17,994        | -          |
| 1.1 Structured securities            | -            | -          | -          | -            | 876           | -          |
| 1.2 Other debt securities            | 1,819        | -          | -          | -            | 17,118        | -          |
| 2. Equity securities                 | 4,256        | -          | -          | 4,648        | -             | -          |
| 3. UCITS units                       | 128          | -          | -          | 482          | -             | -          |
| 4. Loans                             | -            | -          | -          | -            | -             | -          |
| 4.1 Repurchase agreements            | -            | -          | -          | -            | -             | -          |
| 4.2 Other                            | -            | -          | -          | -            | -             | -          |
| <b>Total (A)</b>                     | <b>6,203</b> | <b>-</b>   | <b>-</b>   | <b>5,130</b> | <b>17,994</b> | <b>-</b>   |
| <b>B. Derivative instruments</b>     |              |            |            |              |               |            |
| 1. Financial derivatives             | 29           | 907        | 759        | 10           | 1,696         | 934        |
| 1.1 for trading                      | 29           | 907        | 759        | 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                            | -            | -          | -          | -            | -             | -          |
| <b>Total (B)</b>                     | <b>29</b>    | <b>907</b> | <b>759</b> | <b>10</b>    | <b>1,696</b>  | <b>934</b> |
| <b>Total (A+B)</b>                   | <b>6,232</b> | <b>907</b> | <b>759</b> | <b>5,140</b> | <b>19,690</b> | <b>934</b> |

#### Key

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

Item 20 "Financial assets held for trading" comprises:

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

The change in item "A. On-balance-sheet assets" results from the ordinary turnover on the trading portfolio. 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 Section "A.4 Information on fair value" of Part A "Accounting Policies" of the Notes to the Financial Statements above.

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

## 2.2 Financial assets held for trading: breakdown by debtor/issuer/counterparty

| Items/Values                      | 31.12.2023   | 31.12.2022    |
|-----------------------------------|--------------|---------------|
| <b>A. On-balance sheet assets</b> |              |               |
| <b>1. Debt securities</b>         | <b>1,819</b> | <b>17,994</b> |
| a) Central banks                  | -            | -             |
| b) Public administrations         | -            | -             |
| c) Banks                          | 1,819        | 13,372        |
| d) Other financial companies      | -            | -             |
| of which: insurance companies     | -            | -             |
| e) Non-financial companies        | -            | 4,622         |
| <b>2. Equity securities</b>       | <b>4,256</b> | <b>4,648</b>  |
| a) Banks                          | -            | 686           |
| b) Other financial companies      | 297          | 746           |
| of which: insurance companies     | -            | -             |
| c) Non-financial companies        | 3,959        | 3,216         |
| d) Other issuers                  | -            | -             |
| <b>3. UCITS units</b>             | <b>128</b>   | <b>482</b>    |
| <b>4. Loans</b>                   | <b>-</b>     | <b>-</b>      |
| a) Central banks                  | -            | -             |
| b) Public administrations         | -            | -             |
| c) Banks                          | -            | -             |
| d) Other financial companies      | -            | -             |
| of which: insurance companies     | -            | -             |
| e) Non-financial companies        | -            | -             |
| f) Households                     | -            | -             |
| <b>Total (A)</b>                  | <b>6,203</b> | <b>23,124</b> |
| <b>B. Derivative instruments</b>  |              |               |
| a) Central counterparties         | 682          | -             |
| b) Other                          | 1,013        | 2,640         |
| <b>Total (B)</b>                  | <b>1,695</b> | <b>2,640</b>  |
| <b>Total (A+B)</b>                | <b>7,898</b> | <b>25,764</b> |

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

| Items/Values                | 31.12.2023    |            |                | 31.12.2022    |              |               |
|-----------------------------|---------------|------------|----------------|---------------|--------------|---------------|
|                             | L1            | L2         | L3             | L1            | L2           | L3            |
| <b>1. Debt securities</b>   | -             | 32         | -              | -             | 665          | -             |
| 1.1 Structured securities   | -             | -          | -              | -             | -            | -             |
| 1.2 Other debt securities   | -             | 32         | -              | -             | 665          | -             |
| <b>2. Equity securities</b> | -             | 634        | -              | -             | 1,056        | -             |
| <b>3. UCITS units</b>       | 29,003        | -          | 121,708        | 19,710        | -            | 92,625        |
| <b>4. Loans</b>             | -             | -          | -              | -             | -            | -             |
| 4.1 Repurchase agreements   | -             | -          | -              | -             | -            | -             |
| 4.2 Other                   | -             | -          | -              | -             | -            | -             |
| <b>Total</b>                | <b>29,003</b> | <b>666</b> | <b>121,708</b> | <b>19,710</b> | <b>1,721</b> | <b>92,625</b> |

### 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.

During 2023, sales of receivables for a nominal value of Euro 44,186 thousand were completed with subscription of Closed-end Fund units for Euro 29,734 thousand, valued in accordance with the Group’s fair value policies.

It is also noted that item “3. UCITS units” includes at the reference date units for Euro 13,693 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.

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

|                                     | 31.12.2023     | 31.12.2022     |
|-------------------------------------|----------------|----------------|
| <b>1. Equity securities</b>         | <b>634</b>     | <b>1,056</b>   |
| of which: banks                     | -              | -              |
| of which: other financial companies | 634            | 1,056          |
| of which: non-financial companies   | -              | -              |
| <b>2. Debt securities</b>           | <b>32</b>      | <b>665</b>     |
| a) Central banks                    | -              | -              |
| b) Public administrations           | -              | -              |
| c) Banks                            | -              | -              |
| d) Other financial companies        | 32             | 665            |
| of which: insurance companies       | -              | -              |
| e) Non-financial companies          | -              | -              |
| <b>3. UCITS units</b>               | <b>150,711</b> | <b>112,335</b> |
| <b>4. Loans</b>                     | <b>-</b>       | <b>-</b>       |
| a) Central banks                    | -              | -              |
| b) Public administrations           | -              | -              |
| c) Banks                            | -              | -              |
| d) Other financial companies        | -              | -              |
| of which: insurance companies       | -              | -              |
| e) Non-financial companies          | -              | -              |
| f) Households                       | -              | -              |
| <b>Total</b>                        | <b>151,377</b> | <b>114,056</b> |

The amount of the item "Equity securities" equal to Euro 634 thousand refers to the equity investment in Yolo Group, which is further disclosed in section 7 - Investments.

### Section 3 - Financial assets measured at fair value through other comprehensive income - Item 30

#### 3.1 Financial assets measured at fair value through other comprehensive income: breakdown by type

| Items/Values                | 31.12.2023     |               |              | 31.12.2022     |               |              |
|-----------------------------|----------------|---------------|--------------|----------------|---------------|--------------|
|                             | L1             | L2            | L3           | L1             | L2            | L3           |
| <b>1. Debt securities</b>   | <b>822,257</b> | -             | -            | <b>799,659</b> | <b>28,186</b> | -            |
| 1.1 Structured securities   | -              | -             | -            | -              | -             | -            |
| 1.2 Other debt securities   | 822,257        | -             | -            | 799,659        | 28,186        | -            |
| <b>2. Equity securities</b> | -              | <b>10,000</b> | <b>3,208</b> | <b>1,293</b>   | <b>10,000</b> | <b>3,208</b> |
| <b>3. Loans</b>             | -              | -             | -            | -              | -             | -            |
| <b>Total</b>                | <b>822,257</b> | <b>10,000</b> | <b>3,208</b> | <b>800,952</b> | <b>38,186</b> | <b>3,208</b> |

#### Key

L1 = Level 1

L2 = Level 2

L3 = Level 3

The item "Financial assets measured at fair value through other comprehensive income" include:

- the bond portfolio not held for trading purposes and not held with the exclusive intention of collecting contractual cash flows;
- shares in non-subsiidiaries and non-associates for which there was adoption of the so-called "FVOCI option".



### 3.2 Financial assets measured at fair value through other comprehensive income: breakdown by debtor/issuer

| Items/Values                  | 31.12.2023     | 31.12.2022     |
|-------------------------------|----------------|----------------|
| <b>1. Debt securities</b>     | <b>822,257</b> | <b>827,845</b> |
| a) Central banks              | -              | -              |
| b) Public administrations     | 783,372        | 798,840        |
| c) Banks                      | 38,098         | 28,239         |
| d) Other financial companies  | -              | -              |
| of which: insurance companies | -              | -              |
| e) Non-financial companies    | 787            | 766            |
| <b>2. Equity securities</b>   | <b>13,208</b>  | <b>14,501</b>  |
| 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                       | -              | -              |
| <b>3. Loans</b>               | <b>-</b>       | <b>-</b>       |
| a) Central banks              | -              | -              |
| b) Public administrations     | -              | -              |
| c) Banks                      | -              | -              |
| d) Other financial companies  | -              | -              |
| of which: insurance companies | -              | -              |
| e) Non-financial companies    | -              | -              |
| f) Households                 | -              | -              |
| <b>Total</b>                  | <b>835,465</b> | <b>842,346</b> |

### 3.3 Financial assets measured at fair value through other comprehensive income: 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 | 822,589     | 822,589                                    | -            | -           | -                                | 332                     | -            | -           | -                                | -                        |
| Loans           | -           | -                                          | -            | -           | -                                | -                       | -            | -           | -                                | -                        |
| Total           | 31.12.2023  | 822,589                                    | 822,589      | -           | -                                | -                       | 332          | -           | -                                | -                        |
| Total           | 31.12.2022  | 828,168                                    | 828,168      | -           | -                                | -                       | 323          | -           | -                                | -                        |

## Section 4 - Financial assets measured at amortised cost - Item 40

### 4.1 Financial assets measured at amortised cost: composition by type of loans with banks

| Type of transactions/Values        | 31.12.2023             |             |                                  |                |               |                | 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             |
| <b>A. Loans with Central Banks</b> | <b>58,568</b>          | -           | -                                | -              | -             | <b>58,568</b>  | <b>83,020</b>          | -           | -                                | -          | -              | <b>83,020</b>  |
| 1. Fixed-term deposits             | -                      | -           | -                                | X              | X             | X              | -                      | -           | -                                | X          | X              | X              |
| 2. Compulsory reserve              | 58,568                 | -           | -                                | 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>B. Loans with banks</b>         | <b>804,366</b>         | -           | -                                | <b>555,800</b> | <b>10,593</b> | <b>175,861</b> | <b>549,069</b>         | -           | -                                | -          | <b>403,013</b> | <b>119,958</b> |
| 1. Loans                           | 234,771                | -           | -                                | -              | -             | 174,061        | 118,138                | -           | -                                | -          | -              | 118,158        |
| 1.1 Current accounts               | -                      | -           | -                                | X              | X             | X              | -                      | -           | -                                | X          | X              | X              |
| 1.2. Fixed-term deposits           | 26,521                 | -           | -                                | X              | X             | X              | 9,390                  | -           | -                                | X          | X              | X              |
| 1.3. Other loans:                  | 208,250                | -           | -                                | 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                            | 208,250                | -           | -                                | X              | X             | X              | 108,748                | -           | -                                | X          | X              | X              |
| 2. Debt securities                 | 569,595                | -           | -                                | 555,800        | 10,593        | 1,800          | 430,931                | -           | -                                | -          | 403,013        | 1,800          |
| 2.1 Structured securities          | 3,741                  | -           | -                                | 3,582          | -             | -              | 5,709                  | -           | -                                | -          | 5,223          | -              |
| 2.2 Other debt securities          | 565,854                | -           | -                                | 552,218        | 10,593        | 1,800          | 425,222                | -           | -                                | -          | 397,790        | 1,800          |
| <b>Total</b>                       | <b>862,934</b>         | -           | -                                | <b>555,800</b> | <b>10,593</b> | <b>234,429</b> | <b>632,089</b>         | -           | -                                | -          | <b>403,013</b> | <b>202,978</b> |

#### 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 109.2 million at 31 December 2023 (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 1,521 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                             | 31.12.2023             |                |                                  |                  |                |                   | 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                |
| <b>1. Loans</b>                                         | <b>11,449,956</b>      | <b>185,887</b> | <b>17,783</b>                    | -                | -              | <b>10,131,232</b> | <b>11,278,985</b>      | <b>194,167</b> | <b>7,464</b>                     | -                | -              | <b>11,008,366</b> |
| 1. Current accounts                                     | 871,119                | 15,602         | 1,333                            | X                | X              | X                 | 943,142                | 15,360         | 95                               | X                | X              | X                 |
| 2. Reverse repurchase agreements                        | -                      | -              | -                                | X                | X              | X                 | -                      | -              | -                                | X                | X              | X                 |
| 3. Mortgages                                            | 7,982,462              | 148,242        | 16,311                           | X                | X              | X                 | 7,899,701              | 163,627        | 7,240                            | X                | X              | X                 |
| 4. Credit cards, personal loans and salary-backed loans | 1,430,968              | 9,197          | 1                                | X                | X              | X                 | 1,208,434              | 7,602          | 5                                | X                | X              | X                 |
| 5. Loans for leases                                     | 149,843                | 4,563          | 3                                | X                | X              | X                 | 146,292                | 4,735          | -                                | X                | X              | X                 |
| 6. Factoring                                            | 92,218                 | 3,122          | -                                | X                | X              | X                 | 93,614                 | 180            | -                                | X                | X              | X                 |
| 7. Other loans                                          | 923,346                | 5,161          | 135                              | X                | X              | X                 | 987,802                | 2,663          | 124                              | X                | X              | X                 |
| <b>2. Debt securities</b>                               | <b>2,371,588</b>       | <b>-</b>       | <b>-</b>                         | <b>2,040,943</b> | <b>229,768</b> | <b>-</b>          | <b>2,546,215</b>       | <b>-</b>       | <b>-</b>                         | <b>1,922,475</b> | <b>351,106</b> | <b>85,715</b>     |
| 1. Structured securities                                | 1,982                  | -              | -                                | -                | 2,016          | -                 | 1,972                  | -              | -                                | -                | 2,012          | -                 |
| 2. Other debt securities                                | 2,369,606              | -              | -                                | 2,040,943        | 227,752        | -                 | 2,544,243              | -              | -                                | 1,922,475        | 349,094        | 85,715            |
| <b>Total</b>                                            | <b>13,821,544</b>      | <b>185,887</b> | <b>17,783</b>                    | <b>2,040,943</b> | <b>229,768</b> | <b>10,131,232</b> | <b>13,825,200</b>      | <b>194,167</b> | <b>7,464</b>                     | <b>1,922,475</b> | <b>351,106</b> | <b>11,094,081</b> |

The balance at 31 December 2023 of the item Loans, compared to the comparative period, is affected by the inclusion in the portfolio of the positions acquired following the acquisition of the two business units from the BPER Group in the Lanternina Transaction.

Gross loans totalled Euro 11,952,134 thousand (Euro 11,776,695 thousand last year), of which Euro 11,565,540 thousand related to performing loans and Euro 386,594 thousand to non-performing loans.

Total value adjustments related to the same loans amounted to Euro 298,508 thousand (Euro 296,079 thousand last year), of which Euro 186,281 thousand related to non-performing loans (Euro 195,341 thousand at the end of the previous year) and Euro 112,227 thousand to performing loans (Euro 100,738 thousand at the end of the previous year).

As regards credit evaluation processes, please refer to the section "Risks, uncertainties and impacts deriving from war conflicts, the residual effects of the Covid-19 epidemic, climate risk and the macroeconomic context" in Section 5 - Other aspects of Part A of the Notes.

The table also includes the amounts of transferred receivables that were not written off and constituted eligible assets for the Guaranteed Bank Bonds (G-Bonds) issue programme; at 31 December 2023, these receivables amounted to Euro 1,979,936 thousand (Euro 1,663,082 thousand at 31 December 2022).

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 2,443,984 thousand (Euro 2,964,359 thousand at 31 December 2022); there are also mortgages for Euro 236,882 thousand for collateralisation of the loan granted by Cassa Depositi e Prestiti for Euro 215,000.

Credit cards, personal loans and salary-backed loans of the Subsidiary Fides amounted to Euro 1,175,764 thousand. This balance includes the amounts relating to the credits transferred to the special purpose vehicle Coppedè SPV Srl and not cancelled by the subsidiary with reference to the Coppedè 1 and Coppedè 2 transactions carried out respectively during 2022 and 2023 in which Fides simultaneously assumes the roles of originator and subscriber/lender of all the securities issued (for Coppedè 1), originator and sole investor of the Junior security for Coppedè 2.

On the other hand, the sub-item "Other loans" includes financing transactions other than those indicated in the previous sub-items (e.g. bullet loans, advances on invoices and bills subject to collection, import/export advances and other miscellaneous items).

This item also includes interest counted at 31 December 2020 and due on 1 March of the year subsequent to the year in which it accrued following the application of the rules for the computation of interest in banking transactions defined in Decree No. 343/2016 of the MEF, implementing Article 120 paragraph 2 of the Consolidated Law on Banking (T.U.B.).

The item "purchased or originated impaired" includes those financing lines originated both as part of "forbearances" made on non-performing loans and as a result of loans acquired following the Lanternina transaction.

The fair value of loans is calculated for performing positions over the short term using a measurement technique that involves discounting expected cash flows considering the credit risk of the relationship, while for non-performing and short-term performing positions the carrying amount is considered a reasonable approximation of fair value. Taking into account the current credit market context, with particular reference to non-performing loans, this fair value, determined by taking into account multi-scenario assumptions involving the combination of internal management and the so-called "disposal scenario", might not represent the eventual exit price in view of a certain margin of uncertainty in any event inherent in the price formation components considered by a potential third-party purchaser.

Item "2. Debt securities" includes securities held under the "held to collect" business model, i.e. held with the intention of collecting contractual cash flows. The value of debt securities is shown net of value adjustments resulting from the application of the new models to determine the expected loss on the "held-to-collect" debt securities portfolio in application of accounting standard "IFRS9 - Financial Instruments". Included in this portfolio are Euro 117,825 thousand of senior securities issued by the securitisation vehicle "2Worlds s.r.l." following the sale of bad loans through recourse to the "GACS" scheme in 2018.

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

| Type of transactions/Values   | 31.12.2023             |                |                                         | 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 |
| <b>1. Debt securities</b>     | <b>2,371,588</b>       | -              | -                                       | <b>2,546,215</b>       | -              | -                                       |
| a) Public administrations     | 1,971,293              | -              | -                                       | 2,084,411              | -              | -                                       |
| b) Other financial companies  | 339,055                | -              | -                                       | 398,569                | -              | -                                       |
| of which: insurance companies | -                      | -              | -                                       | -                      | -              | -                                       |
| c) Non-financial companies    | 61,240                 | -              | -                                       | 63,235                 | -              | -                                       |
| <b>2. Loans to:</b>           | <b>11,449,956</b>      | <b>185,887</b> | <b>17,783</b>                           | <b>11,278,985</b>      | <b>194,167</b> | <b>7,464</b>                            |
| a) Public administrations     | 301,071                | 438            | 229                                     | 184,541                | 258            | 18                                      |
| b) Other financial companies  | 203,358                | 51             | 22                                      | 214,417                | 1,091          | -                                       |
| of which: insurance companies | 8,949                  | -              | -                                       | 6,780                  | -              | -                                       |
| c) Non-financial companies    | 5,404,348              | 127,915        | 7,818                                   | 5,939,923              | 116,131        | 3,111                                   |
| d) Households                 | 5,541,179              | 57,483         | 9,714                                   | 4,940,104              | 76,687         | 4,335                                   |
| <b>Total</b>                  | <b>13,821,544</b>      | <b>185,887</b> | <b>17,783</b>                           | <b>13,825,200</b>      | <b>194,167</b> | <b>7,464</b>                            |

### 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         | 2,831,504         | 2,831,504                                  | 120,284          | -              | -                                | 8,146                   | 2,459         | -              | -                                | -                        |
| Loans                   | 9,782,470         | 59,053                                     | 2,073,214        | 368,423        | 21,660                           | 16,118                  | 96,271        | 182,536        | 3,877                            | 18,708                   |
| <b>Total 31.12.2023</b> | <b>12,613,975</b> | <b>2,890,557</b>                           | <b>2,193,498</b> | <b>368,423</b> | <b>21,660</b>                    | <b>24,264</b>           | <b>98,730</b> | <b>182,536</b> | <b>3,877</b>                     | <b>18,708</b>            |
| <b>Total 31.12.2022</b> | <b>12,417,151</b> | <b>3,042,850</b>                           | <b>2,147,160</b> | <b>387,002</b> | <b>10,070</b>                    | <b>20,816</b>           | <b>86,208</b> | <b>192,833</b> | <b>2,606</b>                     | <b>1,882</b>             |

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". The segmentation into stages, in particular, takes place according to the following requirements:

- stage 1 for exposures with performance in line with expectations;
- 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);
- 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.

#### 4.4a New loans granted through public guarantee mechanisms issued against the COVID-19 context

|                                                       | Gross amount     |                |               |                                  | Total value adjustments |              |               |                                  |
|-------------------------------------------------------|------------------|----------------|---------------|----------------------------------|-------------------------|--------------|---------------|----------------------------------|
|                                                       | First stage      | Second stage   | Third stage   | Purchased or originated impaired | First stage             | Second stage | Third stage   | Purchased or originated impaired |
| New loans granted through public guarantee mechanisms | 1,324,805        | 401,952        | 81,108        | 2,012                            | 1,598                   | 5,256        | 20,705        | 275                              |
| <b>Total 31.12.2023</b>                               | <b>1,324,805</b> | <b>401,952</b> | <b>81,108</b> | <b>2,012</b>                     | <b>1,598</b>            | <b>5,256</b> | <b>20,705</b> | <b>275</b>                       |

## Section 5 - Hedging derivatives - Item 50

### 5.1 Hedging derivatives: breakdown by hedge type and level

|                                 | 31.12.2023 |               |          |                | 31.12.2022 |               |          |                |
|---------------------------------|------------|---------------|----------|----------------|------------|---------------|----------|----------------|
|                                 | FV         |               |          | NV             | FV         |               |          | NV             |
|                                 | L1         | L2            | L3       |                | L1         | L2            | L3       |                |
| <b>A. Financial derivatives</b> |            | <b>21,431</b> |          | <b>445,000</b> |            | <b>59,099</b> |          | <b>855,000</b> |
| 1) Fair value                   | -          | 21,431        | -        | 445,000        | -          | 59,099        | -        | 855,000        |
| 2) Cash Flows                   | -          | -             | -        | -              | -          | -             | -        | -              |
| 3) Foreign investments          | -          | -             | -        | -              | -          | -             | -        | -              |
| <b>B. Credit derivatives</b>    |            |               |          |                |            |               |          |                |
| 1) Fair value                   | -          | -             | -        | -              | -          | -             | -        | -              |
| 2) Cash Flows                   | -          | -             | -        | -              | -          | -             | -        | -              |
| <b>Total</b>                    | <b>-</b>   | <b>21,431</b> | <b>-</b> | <b>445,000</b> | <b>-</b>   | <b>59,099</b> | <b>-</b> | <b>855,000</b> |

#### 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 the derivative financial instruments put in place to hedge the interest rate risk of fixed-rate debt securities classified in the held-to-collect portfolio (micro fair value hedge type coverage);
- 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, in 2023, the Bank joined the Clearing service for OTC interest rate derivatives by identifying the central counterparty (Eurex Clearing) for clearing derivative transactions.

## 5.2 Hedging derivatives: breakdown by hedged portfolio and type of hedge (carrying amount)

| Transactions/Type of hedge                                                    | Fair Value         |                    |             |            |                | Cash flows |       |       | Foreign investments |
|-------------------------------------------------------------------------------|--------------------|--------------------|-------------|------------|----------------|------------|-------|-------|---------------------|
|                                                                               | Micro              |                    |             |            |                | Macro      | Micro | Macro |                     |
|                                                                               | interest rate risk | exchange rate risk | credit risk | price risk | multiple risks |            |       |       |                     |
| 1. Financial assets measured at fair value through other comprehensive income | -                  | -                  | -           | -          | -              | X          | -     | X     | X                   |
| 2. Financial assets measured at amortised cost                                | 21,431             | -                  | -           | X          | -              | X          | -     | X     | X                   |
| 3. Portfolio                                                                  | X                  | X                  | X           | X          | X              | -          | X     | -     | X                   |
| 4. Other transactions                                                         | -                  | -                  | -           | -          | -              | X          | -     | X     | -                   |
| <b>Total assets</b>                                                           | 21,431             | -                  | -           | -          | -              | -          | -     | -     | -                   |
| Financial liabilities                                                         | -                  | -                  | -           | X          | -              | X          | -     | X     | X                   |
| Portfolio                                                                     | X                  | X                  | X           | X          | X              | -          | X     | -     | X                   |
| <b>Total liabilities</b>                                                      | -                  | -                  | -           | -          | -              | -          | -     | -     | X                   |
| 1. Expected transactions                                                      | X                  | X                  | X           | X          | X              | X          | -     | X     | X                   |
| 2. Portfolio of financial assets and liabilities                              | X                  | X                  | X           | X          | X              | -          | X     | -     | -                   |



## Section 6 Value adjustments of financial assets with macro hedge - Item 60

### 6.1 Value adjustment of hedged assets: breakdown by hedged portfolio

| Value adjustment of hedged assets/Group components                            | 31.12.2023      | 31.12.2022      |
|-------------------------------------------------------------------------------|-----------------|-----------------|
| <b>1. Positive adjustment</b>                                                 | <b>7,883</b>    | <b>380</b>      |
| 1.1 of specific portfolios:                                                   | 7,883           | 380             |
| a) financial assets measured at amortised cost                                | 7,883           | 380             |
| b) financial assets measured at fair value through other comprehensive income | -               | -               |
| 1.2 total                                                                     | -               | -               |
| <b>2. Negative adjustment</b>                                                 | <b>(11,956)</b> | <b>(19,973)</b> |
| 2.1 of specific portfolios:                                                   | (11,956)        | (19,973)        |
| a) financial assets measured at amortised cost                                | (11,956)        | (19,973)        |
| b) financial assets measured at fair value through other comprehensive income | -               | -               |
| 2.2 total                                                                     | -               | -               |
| <b>-Total</b>                                                                 | <b>(4,073)</b>  | <b>(19,593)</b> |

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 Macro Fair Value Hedge relationships.

The item also includes the differentials still to be amortised on the loan portfolios already discontinued in the amount of Euro 11 million.

## Section 7 - Investments - Item 70

The balance of the item refers to the investment in Anthilia Capital Management SGR S.p.A. acquired in June 2022.

### 7.1 Investments: information on shareholdings

| Company names                                        | Registered office | Operational office | Investment % | Availability of votes % |
|------------------------------------------------------|-------------------|--------------------|--------------|-------------------------|
| <b>B. Companies subject to significant influence</b> |                   |                    |              |                         |
| 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>B. Companies subject to significant influence</b> |                 |            |                    |
| Anthilia Capital Partners SGR S.p.A.                 | 5,015           | -          | 29                 |
| <b>Total</b>                                         | <b>5,015</b>    | <b>-</b>   | <b>29</b>          |

## 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>B. Companies subject to significant influence</b> |                           |                  |                      |                       |                           |                |                     |                                                                   |                                                    |                                                   |                                                             |                                |                                          |                                      |
| Anthilia Capital Partners SGR S.p.A.                 | x                         | 8,029            | 4,272                | 1,858                 | 2,784                     | 10,885         | x                   | x                                                                 | 1,211                                              | 809                                               | -                                                           | 809                            | 15                                       | 824                                  |

## 7.5 Investments: changes in the year

|                              | 31.12.2023   | 31.12.2022   |
|------------------------------|--------------|--------------|
| <b>A. Opening balance</b>    | <b>4,866</b> | -            |
| <b>B. Increases</b>          | <b>192</b>   | <b>4,887</b> |
| B.1 Purchases                | -            | 4,865        |
| B.2 Reversals                | -            | -            |
| B.3 Revaluations             | 192          | -            |
| B.4 Other changes            |              | 22           |
| <b>C. Decreases</b>          | <b>43</b>    | <b>21</b>    |
| C.1 Sales                    | -            | -            |
| C.2 Value adjustments        | -            | -            |
| C.3 Write-downs              | -            | 16           |
| C.4 Other Changes            | 43           | 5            |
| <b>D. Closing balance</b>    | <b>5,015</b> | <b>4,866</b> |
| <b>E. Total revaluations</b> | <b>150</b>   | <b>1</b>     |
| <b>F. Total adjustments</b>  |              | -            |

## 7.6 Significant assessments and assumptions to establish the existence of joint control or significant influence

In accordance with IAS 28 *Investments in Associates and Joint Ventures*, significant influence is the power to participate in determining the financial and operating policies of an investee without having control or

joint control over it. IAS 28 also introduces a relative presumption of significant influence whenever the investor owns - directly or indirectly - 20% or more of the voting rights. If the investment is 20% or more, the onus will be on the investor to prove the absence of significant influence. Conversely, where the investment is less than 20%, the onus will be on the investor to prove the existence of significant influence.

The existence of significant influence is usually indicated by the occurrence of one or more of the following circumstances:

- a) representation on the board of directors, or equivalent body, of the investee company;
- b) participation in decision-making, including participation in decisions on dividends or other profit distributions;
- c) presence of material transactions between the entity and the investee;
- d) interchange of management personnel; or
- e) provision of essential technical information.

With reference to the investment in Anthilia Capital Management SGR S.p.A. (Anthilia), of which Banco Desio has subscribed to a number of ordinary shares equal to 15% of its share capital, the contents were considered (i) of the partnership agreements (investment agreement and commercial framework agreement) signed on 4 November 2021 between Banco Desio, Anthilia and its parent company Anthilia Holding S.r.l. and (ii) of the shareholders' agreement signed on the same date between Banco Desio and Anthilia Holding S.r.l. concerning the rights and obligations of Banco Desio in relation to the corporate governance of the SGR and the transfer of its investment. From the overall contents of these agreements, the strategic value of the relationship was inferred, qualifying the power to participate in the determination of the management policies of the investee as significant influence by virtue, in particular, of the weight on the decision-making process through representation on the Anthilia Board of Directors.

## **7.8 Commitments relating to investments in companies subject to significant influence**

### *Commitments arising from agreements with Anthilia on asset management*

In execution of the Investment Agreement signed on 4 November 2021 between Banco Desio, Anthilia and its parent company Anthilia Holding S.r.l., on 29 June 2022, Banco Desio subscribed and released the capital increase resolved by the SGR and reserved for subscription to Banco Desio for a total of approximately Euro 4.6 million. Consequently, Banco Desio holds a 15% stake in the SGR share capital. In accordance with the provisions of the aforementioned Investment Agreement, at the same time as the reserved capital increase, the SGR issued and assigned to Banco Desio a total of 1,354,144 warrants ("Warrants") convertible into ordinary shares of the SGR subject to Banco Desio's achievement of certain business objectives at 31 December 2024. To service the conversion of the Warrants into ordinary shares, the SGR resolved a paid capital increase for a total of Euro 20,000,000, (capital and premium) also reserved for subscription to Banco Desio. As a result of the possible conversion of the Warrants, Banco Desio will be able to increase its investment, thus attesting its investment to a stake equal to 30% of the share capital of the SGR.

## **7.9 Significant restrictions**

There are no significant restrictions (e.g. legal, contractual and regulatory restrictions) on the associate's ability to transfer funds to the Parent Company in the form of dividends, loan repayments or advances granted by the Parent Company.

## **7.10 Other information**

### **The impairment test on investments**

In accordance with the provisions of IAS 36 and taking into account the indications referred to in the joint Bank of Italy/Consob/Isvap document of 3 March 2010, the information on the impairment test carried out on investments is reported below.

The purpose of impairment testing is to ascertain that the carrying amount of each investment does not exceed its recoverable amount, i.e. the benefit that can be derived from it, either through future use (value in use) or by its disposal (fair value less cost to sell), whichever is higher.

As illustrated in the paragraph "Risks, uncertainties and impacts arising from war conflicts, residual effects of the Covid-19 epidemic, climate risk and the macroeconomic context" in the previous "Section 5 - Other aspects" contained in "A.1 General Part" of "Part A - Accounting Policies" of these Notes (to which reference should be made), for the preparation of these financial statements, impairment tests were performed on goodwill and investments, taking into account the economic and financial forecasts of the 2023-2025 Business Plan (approved by the AMC Board of Directors on 24 March 2023) extended to 2028 by Banco Desio Management through an inertial transfer, on the basis of growth rates substantially in line with those of the previous period, therefore without considering the effect of new managerial leverage and assuming growth rates of assets in line with the most recent forecasts of future performance.

In particular, pursuant to the aforementioned IAS 36 and in application of the Policy for impairment of intangible assets with indefinite useful life (goodwill) and investments, the recoverable value of investments was determined, where no fair value was available from transactions concerning the target subject to impairment or from market transactions concerning similar targets, by reference to value in use. For the determination of value in use, IAS 36 provides for the possibility of using the financial method known in doctrine as Discounted Cash Flow. This model identifies the value in use of a CGU or a company by estimating the future (operating) cash flows generated by it, discounted at an appropriate rate, according to the explicit time frame in which they are assumed to be achieved.

In operational practice, the Free Cash Flow to Equity (FCFE), known in the Anglo-Saxon world as the Dividend Discount Model (DDM) in its Excess Capital version, is used in the case of credit or financial companies. This methodology determines the value of a company on the basis of the future cash flows it will be able to distribute to its shareholders, without affecting the assets necessary to sustain the expected development and in compliance with the capital regulations imposed by the Supervisory Authority, discounted at a rate expressing the specific risk of capital. It should be noted, however, that although the expression Dividend Discount Model refers to the word dividend, the cash flows considered by the model are not the dividends that are expected to be distributed to shareholders, but the cash flows that a shareholder could potentially benefit from within the limits of the capital endowments required by the company's operations.

The impairment test was consequently performed on the associate Anthilia Capital Partners SGR S.p.A. on the basis of the criteria and assumptions illustrated below.

a) Criterion for estimating recoverable amount (Impairment)

For the criterion of estimating the recoverable amount of the investment, reference is made to the so-called value in use (equity value for banks and financial intermediaries).

"Explicit" time frame for determining future cash flows

The timeframe attributable to the 2023-2025 Activity Plan (approved by the AMC Board of Directors on 24 March 2023) is considered, as well as the further development of this plan, ensured by the Management of Banco Desio and approved by the Board of Directors of Banco Desio on 8 February 2024, with prudent projections of future results up to and including an explicit forecast period of 5 years, in order to reduce the distortions attributable to the use of the Business Plan time horizon only, which may be strongly conditioned by a systemic situation that remains complex due to the uncertain forecasts of the macroeconomic scenario and of the sector due to the effects of the conflict in Ukraine and the pandemic crisis, or in any case attributable to extraordinary events with respect to which it is appropriate to normalise results in order to more correctly focus on the effective medium/long-term

potential of the entity being tested.

#### Cash flows

In the valuation of banks and financial intermediaries, the "equity side" approach, within the DDM methodology, is used to determine the equity value because, given the characteristic activity of fund intermediation (funding/lending), it is particularly complex to make a distinction between financial debt and operating debt; moreover, in the Excess Capital version, the cash flows available to shareholders are the cash flows that a shareholder could potentially benefit from within the limits of the capital endowments required by the company's operations, thus taking due account of the absorption of regulatory capital.

#### Discount rate

In the valuation of banks and financial intermediaries, reference is made to the so-called cost of equity ( $K_e$ ).

#### 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<br>RWA | $K_e$  | g     | Plan flows  | Capital<br>ratios     |
|--------------------------------------------------|-------|----------------------------------------------|-------------|--------|-------|-------------|-----------------------|
| Anthilia Capital Partners SGR S.p.A. (associate) | DDM   | 2023-2025 Activity Plan extended to 2028 (*) | 0.9%        | 11.92% | 2.03% | Net Results | Tier 1<br>10.37% (**) |

(\*) 5-year forecasts that have been developed by Banco Desio management taking into account the 2023-2025 Business Plan approved by the AMC Board of Directors on 24 March 2023, the final 2023 results as well as the most recent market forecasts available

(\*\*) Target allocated capital on Anthilia Capital Partners SGR estimated considering the "Other risks" requirement

The impairment test performed did not reveal the need to proceed with any write-downs for the aforementioned investment.

It is emphasised that the parameters and information considered in the development of the impairment test are influenced by the economic situation and the financial markets and may be subject to changes/variations, not foreseeable at present, with consequent effects on the main assumptions considered and therefore, potentially, also on the results that in future years may be different from those shown in these financial statements.

#### c) Sensitivity analysis

Since the impairment assessment is rendered particularly complex by the current macroeconomic and market context and the consequent difficulty in formulating forecasts of future long-term profitability, an additional "stress test" is conducted to support the test performed, assuming a change in the main parameters used in the impairment test procedure.

The table below summarises the percentage deviations or percentage points of the basic assumptions necessary to make the recoverable amount of investments equal to their carrying amount.

| Investments                                      | Decrease in % of Future Net Results (NR) | Increase in bps of the discount rate of future cash flows (FCFE) |
|--------------------------------------------------|------------------------------------------|------------------------------------------------------------------|
| Anthilia Capital Partners SGR S.p.A. (associate) | 20.14%                                   | 230                                                              |

## Section 9 - Tangible assets - Item 90

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

| Assets/Values                                                 | 31.12.2023     | 31.12.2022     |
|---------------------------------------------------------------|----------------|----------------|
| <b>1. Owned assets</b>                                        | <b>170,936</b> | <b>163,529</b> |
| a) land                                                       | 54,529         | 52,553         |
| b) buildings                                                  | 97,921         | 92,959         |
| c) furniture                                                  | 3,372          | 3,744          |
| d) electronic equipment                                       | 4,723          | 5,044          |
| e) other                                                      | 10,391         | 9,229          |
| <b>2. Rights of use acquired through leases</b>               | <b>57,268</b>  | <b>55,600</b>  |
| a) land                                                       | -              | -              |
| b) buildings                                                  | 56,414         | 55,077         |
| c) furniture                                                  | -              | -              |
| d) electronic equipment                                       | -              | -              |
| e) other                                                      | 854            | 523            |
| <b>Total</b>                                                  | <b>228,204</b> | <b>219,129</b> |
| of which: obtained through enforcement of guarantees received | -              | -              |

The measurement criterion used for land and buildings is the revalued value at 1 January 2004 on first-time application of IAS. When fully operational, the criterion adopted is cost; this criterion is also adopted for all other tangible assets.

The estimated useful life for the main categories of assets is established as follows:

- buildings: 50 years,
- office furniture, furnishings and various equipment, armoured counters and compasses, alarm systems: 10 years,
- terminals and PCs, mixed-use vehicles: 4 years.

Within the individual types of assets, where necessary, certain types are identified to which further specified useful lives are attributed.

Depreciation is calculated on a straight-line basis for all classes of tangible assets, except for land and works of art, which are not depreciated.

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 recognition of assets following the Purchase Price Allocation (PPA) process related to 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                                                 | 31.12.2023      |            |    |              | 31.12.2022      |            |    |              |
|---------------------------------------------------------------|-----------------|------------|----|--------------|-----------------|------------|----|--------------|
|                                                               | Carrying amount | Fair value |    |              | Carrying amount | Fair value |    |              |
|                                                               |                 | L1         | L2 | L3           |                 | L1         | L2 | L3           |
| <b>1. Owned assets</b>                                        | <b>2,790</b>    | -          | -  | <b>4,434</b> | <b>1,805</b>    | -          | -  | <b>2,867</b> |
| a) land                                                       | 1,067           | -          | -  | 1,663        | 723             | -          | -  | 1,127        |
| b) buildings                                                  | 1,723           | -          | -  | 2,771        | 1,082           | -          | -  | 1,740        |
| <b>2. Rights of use acquired through leases</b>               | -               | -          | -  | -            | -               | -          | -  | -            |
| a) land                                                       | -               | -          | -  | -            | -               | -          | -  | -            |
| b) buildings                                                  | -               | -          | -  | -            | -               | -          | -  | -            |
| <b>Total</b>                                                  | <b>2,790</b>    | -          | -  | <b>4,434</b> | <b>1,805</b>    | -          | -  | <b>2,867</b> |
| of which: obtained through enforcement of guarantees received | -               | -          | -  | -            | -               | -          | -  | -            |

### Key

L1 = Level 1

L2 = Level 2

L3 = Level 3

## Commitments for purchases of tangible assets (IAS 16/74.c)

It should be noted that at the reporting date, there were no commitments for the purchase of tangible assets.

## 9.3 Tangible assets for functional use: breakdown of revalued assets

At the reporting dates, the Bank held no revalued tangible assets for functional use.

## 9.4 Tangible assets held for investment purposes: breakdown of assets measured at fair value

At the reporting date, the Bank had no tangible assets held for investment purposes measured at fair value.

## 9.6 Tangible assets for functional use: changes in the year

| Assets/Values                                               | Land          | Buildings      | Furniture     | Electronic equipment | Other         | Total          |
|-------------------------------------------------------------|---------------|----------------|---------------|----------------------|---------------|----------------|
| <b>A. Gross opening balance</b>                             | <b>52,553</b> | <b>233,125</b> | <b>39,933</b> | <b>31,541</b>        | <b>60,837</b> | <b>417,989</b> |
| A.1 Total net impairment                                    | -             | 85,090         | 36,189        | 26,497               | 51,084        | 198,860        |
| <b>A.2 Net opening balances</b>                             | <b>52,553</b> | <b>148,035</b> | <b>3,744</b>  | <b>5,044</b>         | <b>9,753</b>  | <b>219,129</b> |
| <b>B. Increases:</b>                                        | <b>2,320</b>  | <b>21,016</b>  | <b>535</b>    | <b>1,565</b>         | <b>3,935</b>  | <b>29,371</b>  |
| B.1 Purchases                                               | 2,320         | 13,854         | 278           | 1,353                | 3,805         | 21,610         |
| - of which business combinations                            | 2,320         | 12,342         | 1             | 367                  | 302           | 15,332         |
| B.2 Capitalised improvement expenses                        | -             | -              | -             | -                    | -             | -              |
| B.3 Reversals                                               | -             | -              | -             | -                    | -             | -              |
| B.4 Positive changes in fair value recognised in            | -             | -              | -             | -                    | -             | -              |
| a) equity                                                   | -             | -              | -             | -                    | -             | -              |
| b) income statement                                         | -             | -              | -             | -                    | -             | -              |
| B.5 Positive exchange rate differences                      | -             | -              | -             | -                    | -             | -              |
| B.6 Reclassified from property held for investment purposes | -             | -              | -             | -                    | -             | -              |
| B.7 Other changes                                           | -             | 7,162          | 257           | 212                  | 130           | 7,761          |
| <b>C. Decreases:</b>                                        | <b>345</b>    | <b>14,718</b>  | <b>908</b>    | <b>1,884</b>         | <b>2,441</b>  | <b>20,296</b>  |
| C.1 Sales                                                   | -             | -              | 268           | 213                  | 126           | 607            |
| C.2 Depreciation                                            | -             | 13,518         | 440           | 1,671                | 2,315         | 17,944         |
| C.3 Impairment recognised in                                | -             | -              | -             | -                    | -             | -              |
| a) equity                                                   | -             | -              | -             | -                    | -             | -              |
| b) income statement                                         | -             | -              | -             | -                    | -             | -              |
| C.4 Negative changes in fair value recognised in            | -             | -              | -             | -                    | -             | -              |
| a) equity                                                   | -             | -              | -             | -                    | -             | -              |
| b) income statement                                         | -             | -              | -             | -                    | -             | -              |
| C.5 Negative exchange rate differences                      | -             | -              | -             | -                    | -             | -              |
| C.6 Reclassified to:                                        | -             | -              | -             | -                    | -             | -              |
| a) tangible assets held for investment purposes             | -             | -              | -             | -                    | -             | -              |
| b) non-current assets and groups of assets held for sale    | -             | -              | -             | -                    | -             | -              |
| C.7 Other changes                                           | 345           | 1,200          | 200           | -                    | -             | 1,745          |
| <b>D. Net closing balance</b>                               | <b>54,528</b> | <b>154,333</b> | <b>3,371</b>  | <b>4,725</b>         | <b>11,247</b> | <b>228,204</b> |
| D.1 Total net impairment                                    | -             | 98,550         | 36,371        | 27,959               | 53,283        | 216,163        |
| <b>D.2 Gross closing balance</b>                            | <b>54,528</b> | <b>252,883</b> | <b>39,742</b> | <b>32,684</b>        | <b>64,530</b> | <b>444,367</b> |
| <b>E. Measurement at cost</b>                               | <b>-</b>      | <b>-</b>       | <b>-</b>      | <b>-</b>             | <b>-</b>      | <b>-</b>       |

Items A.1 and D.1 - "Total net impairment" show the amounts for total depreciation.

Item "B.1. Purchases - of which business combinations" shows the value of the assets recognised as a result of the Purchase Price Allocation (PPA) process connected with the acquisition of the branch business unit realised in February 2023 with the BPER Group; for further details, please refer to "Part G - Business combinations involving companies or business units".

Items "B.7 Other changes", "C.1 Sales" and "C.7 Other changes" include:



- the effects of disposals and sales of tangible assets during the year; in particular, item "B.7 Other changes" includes the discharge of the accumulated depreciation of these disposed assets and item "C.7 Other changes" includes the discharge of the historical cost of the same assets. As a result of the aforementioned disposals, realised losses totalling Euro 15 thousand were recognised in the income statement under item 200 "Other operating income/expenses";
- the incremental or decremental effects of Lease Modifications during the year on the values of RoU Assets recognised in the financial statements in application of IFRS 16.

#### 9.7 Tangible assets held for investment purposes: changes in the year

|                                                          | Total        |              |
|----------------------------------------------------------|--------------|--------------|
|                                                          | Land         | Buildings    |
| <b>A. Opening balance</b>                                | <b>723</b>   | <b>1,082</b> |
| <b>B. Increases</b>                                      | <b>344</b>   | <b>963</b>   |
| B.1 Purchases                                            | -            | -            |
| B.2 Capitalised improvement expenses                     | -            | -            |
| B.3 Positive changes in fair value                       | -            | -            |
| B.4 Reversals                                            | -            | -            |
| B.5 Positive exchange rate differences                   | -            | -            |
| B.6 Reclassified from assets for functional use          | -            | -            |
| B.7 Other changes                                        | 344          | 963          |
| <b>C. Decreases</b>                                      | <b>-</b>     | <b>322</b>   |
| C.1 Sales                                                | -            | -            |
| C.2 Depreciation                                         | -            | 52           |
| C.3 Negative changes in fair value                       | -            | -            |
| C.4 Impairment                                           | -            | -            |
| C.5 Negative exchange rate differences                   | -            | -            |
| C.6 Reclassified to:                                     | -            | -            |
| a) properties for functional use                         | -            | -            |
| b) non-current assets and groups of assets held for sale | -            | -            |
| C.7 Other changes                                        | -            | 270          |
| <b>D. Closing balance</b>                                | <b>1,067</b> | <b>1,723</b> |
| <b>E. Measurement at fair value</b>                      | <b>1,663</b> | <b>2,771</b> |

#### 9.9 Commitments to purchase tangible assets

It should be noted that there were no commitments for the purchase of tangible assets at year-end.

## Section 10 - Intangible Assets - Item 100

### 10.1 Intangible assets: breakdown by type of asset

| Assets/Values                               | 31.12.2023        |                     | 31.12.2022        |                     |
|---------------------------------------------|-------------------|---------------------|-------------------|---------------------|
|                                             | Definite duration | Indefinite duration | Definite duration | Indefinite duration |
| <b>A.1 Goodwill</b>                         |                   | <b>15,322</b>       |                   | <b>15,322</b>       |
| A.1.1 attributable to the Group             |                   | 15,322              |                   | 15,322              |
| A.1.2 attributable to minority interests    |                   | -                   |                   | -                   |
| <b>A.2 Other intangible assets</b>          | <b>26,297</b>     | -                   | <b>4,641</b>      | -                   |
| of which: software                          | 4,934             | -                   | 3,129             | -                   |
| <b>A.2.1 Assets measured at cost:</b>       | <b>26,297</b>     | -                   | <b>4,641</b>      | -                   |
| a) Internally generated intangible assets   | -                 | -                   | -                 | -                   |
| b) Other assets                             | 26,297            | -                   | 4,641             | -                   |
| <b>A.2.2 Assets measured at fair value:</b> | -                 | -                   | -                 | -                   |
| a) Internally generated intangible assets   | -                 | -                   | -                 | -                   |
| b) Other assets                             | -                 | -                   | -                 | -                   |
| <b>Total</b>                                | <b>26,297</b>     | <b>15,322</b>       | <b>4,641</b>      | <b>15,322</b>       |

The Group's intangible assets are valued at cost.

The balance shown in the table includes the effect of the recognition of intangible assets identified with reference to the so-called client relationships as a result of the Purchase Price Allocation (PPA) process connected to the acquisition of the branch business unit realised in February 2023 with the BPER Group; the balance of these assets at the end of the reporting year was Euro 19,911 thousand. The useful life was estimated on the basis of a time horizon of between 14 and 16 years.

Goodwill recorded in the financial statements, as it has indefinite useful life, is not subject to systematic amortisation but is subject to an impairment test at least once a year and in particular for the purpose of preparing the financial statements or whenever circumstances arise that lead to the expectation of a reduction in value (see section below "Analysis of trigger events for goodwill impairment tests").

Other intangible assets are amortised on a straight-line basis over their useful life, which for premises vacancy allowances is estimated to be equal to the duration of the lease agreement, for machine-related software is 4 years, and for application software is 4 or 5 years, depending on the useful life further specified within the asset class.

### The Goodwill Impairment Test

In accordance with the provisions of IAS 36 and taking into account the indications referred to in the joint Bank of Italy/Consob/Isvap document of 3 March 2010, the information on the impairment test carried out on the Cash Generating Units (CGUs) is reported below.

The purpose of impairment testing is to ascertain that the carrying amount of each cash generating unit (CGU) does not exceed its recoverable amount, i.e. the benefit that can be derived from it, either through future use (value in use) or by its disposal (fair value less cost to sell), whichever is the higher.

As illustrated in the paragraph "Risks, uncertainties and impacts arising from war conflicts, residual effects of the Covid-19 epidemic, climate risk and the macroeconomic context" in the previous "Section 5 - Other aspects" contained in "A.1 General Part" of "Part A - Accounting Policies" of these Notes (to which reference should be made), for the preparation of these financial statements, impairment tests were performed on goodwill and investments, taking into account the economic and financial forecasts of the 2024-2026 Business Plan "Beyond 26" extended to 2028 through an inertial transfer, on the basis of growth rates substantially in line with those of the previous period, therefore without considering the effect of new managerial leverage and assuming growth rates of assets in line with the most recent forecasts of future performance.

In particular, pursuant to IAS 36 and in application of the Policy for impairment of intangible assets with indefinite useful life (goodwill) and investments, the recoverable amount of CGUs was determined by reference to their value in use. For the determination of value in use, IAS 36 provides for the possibility of using the financial method known in doctrine as Discounted Cash Flow. This model identifies the value in use of a CGU or a company by estimating the future (operating) cash flows generated by it, discounted at an appropriate rate, according to the explicit time frame in which they are assumed to be achieved.

In operational practice, the Free Cash Flow to Equity (FCFE), known in the Anglo-Saxon world as the Dividend Discount Model (DDM) in its Excess Capital version, is used in the case of credit or financial companies. This methodology determines the value of a company on the basis of the future cash flows it will be able to distribute to its shareholders, without affecting the assets necessary to sustain the expected development and in compliance with the capital regulations imposed by the Supervisory Authority, discounted at a rate expressing the specific risk of capital. It should be noted, however, that although the expression Dividend Discount Model refers to the word dividend, the cash flows considered by the model are not the dividends that are expected to be distributed to shareholders, but the cash flows that a shareholder could potentially benefit from within the limits of the capital endowments required by the company's operations.

Consistently with what was done for the previous year's financial statements, the CGUs were identified with the individual legal entities, taking into account the fact that the Banking Group envisages a unitary strategic guidance and coordination activity by the Parent Company aimed at achieving development and profitability objectives at the level of each legal entity, and that as a result, there is an autonomous reporting of results (through management reporting systems) that sees the CGU coincide with the legal entity and, therefore, all management reporting, as well as budgeting activities, analyses, monitors and makes equity and profitability estimates according to this approach.

The impairment test was therefore conducted directly on the legal entities Banco di Desio e della Brianza S.p.A. and Fides S.p.A. based on the criteria and assumptions illustrated below.

a) Criterion for estimating recoverable amount (Impairment)

For the criterion of estimating the recoverable amount of goodwill belonging to the specific legal entity, reference is made to the so-called value in use (equity value for banks and financial intermediaries).

"Explicit" time frame for determining future cash flows

The timeframe attributable to the 2024-2026 Business Plan "Beyond 26" is considered, as well as the further development of this plan, ensured by the Management and approved by the Board of Directors on 8 February 2024, with prudent projections of future results up to and including an explicit forecast period of 5 years, in order to reduce the distortions attributable to the use of the Business Plan time horizon only, which may be strongly conditioned by a systemic situation that remains complex due to the uncertain forecasts of the macroeconomic scenario and of the sector due to the effects of the

conflict in Ukraine and the pandemic crisis, or in any case attributable to extraordinary events with respect to which it is appropriate to normalise results in order to more correctly focus on the effective medium/long-term potential of the entity being tested.

#### Cash flows

In the valuation of banks and financial intermediaries, the “equity side” approach, within the DDM methodology, is used to determine the equity value because, given the characteristic activity of fund intermediation (funding/lending), it is particularly complex to make a distinction between financial debt and operating debt; moreover, in the Excess Capital version, the cash flows available to shareholders are the cash flows that a shareholder could potentially benefit from within the limits of the capital endowments required by the company's operations, thus taking due account of the absorption of regulatory capital.

#### Discount rate

In the valuation of banks and financial intermediaries, reference is made to the so-called cost of equity (Ke).

#### Growth rate of flows beyond the “explicit” time frame for determining future cash flows.

A long-term growth rate in line with expectations of the long-term inflation rate is considered.

#### Terminal Value

It is determined through the application of the formula related to the canonical formula of the “perpetual annuity”.

The equity value of the CGU, determined at the date of recognition, based on the procedure outlined above, after deducting book equity, is then compared to the carrying amount of the specific goodwill belonging to the CGU in question, with the exclusive objective of verifying any impairment.

#### b) Evaluation parameters used and test determinations

Below are the main assumptions used for impairment tests.

| CGU                                   | Model | Database                                   | CAGR RWA | Ke     | g     | Plan flows  | Capital ratio       |
|---------------------------------------|-------|--------------------------------------------|----------|--------|-------|-------------|---------------------|
| Banco di Desio e della Brianza S.p.A. | DDM   | 2024-26 Business Plan extended to 2028 (*) | 2.6%     | 11.92% | 2.03% | Net Results | Tier1<br>13.01 (**) |
| Fides S.p.A.                          | DDM   | 2024-26 Business Plan extended to 2028 (*) | 14.30%   | 11.92% | 2.03% | Net Results | Tier1<br>6.00% (**) |

(\*) 5-year forecasts, approved by the Board of Directors on 8 February 2024, which were developed by the management taking into account the 2024-26 Business Plan, the 2024 budget, the 2023 final results as well as the most recent market forecasts available

(\*\*) Target allocated capital on the estimated entity (CET1 average 5Y) also in order to oversee consistency with compliance with the minimum CET1 levels at CRR Group level

The impairment test performed did not reveal any need for goodwill impairment.

It is emphasised that the parameters and information considered in the development of the impairment test are influenced by the economic situation and the financial markets and may be subject to changes/variations, not foreseeable at present, with consequent effects on the main assumptions considered and therefore, potentially, also on the results that in future years may be different from those shown in these financial statements.

c) Sensitivity analysis

Since the impairment assessment is rendered particularly complex by the current macroeconomic and market context and the consequent difficulty in formulating forecasts of future long-term profitability, an additional "stress test" is conducted to support the test performed, assuming a change in the main parameters used in the impairment test procedure.

The table below summarises the percentage deviations or percentage points of the basic assumptions required to render the recoverable amount of the CGU less the equity allocated to it equal to the carrying amount of goodwill.

| CGU                                   | Decrease in % of Future Net Results (NR) | Increase in p.p. of the discount rate for future cash flows (FCFE) |
|---------------------------------------|------------------------------------------|--------------------------------------------------------------------|
| Banco di Desio e della Brianza S.p.A. | 31.39%                                   | Over 1,000                                                         |
| Fides S.p.A.                          | 53.00%                                   | Over 4,000                                                         |

**The 2nd level impairment test**

In consideration of the fact that during the reference year, the market capitalisation (stock market) of the Banco Desio stock (ordinary shares) was lower than the value of Consolidated Own Funds, the Banco Desio Group was tested for impairment (2nd level impairment) in its entirety.

The impairment test was performed on the basis of the criteria and assumptions illustrated below.

a) Criterion for estimating recoverable amount (Impairment)

For the criterion of estimating the recoverable amount of the investment, reference is made to the so-called value in use (equity value for banks and financial intermediaries).

"Explicit" time frame for determining future cash flows

The timeframe attributable to the 2024-2026 Business Plan "Beyond 26" for Banco Desio and Fides and the 2023-2025 Activity Plan for Capital Partners SGR, is considered, as well as the further development of these plans, ensured by the Management of Banco Desio and approved by the Board of Directors on 8 February 2024, with prudent projections of future results up to and including an explicit forecast period of 5 years, in order to reduce the distortions attributable to the use of the Business Plan time horizon only, which may be strongly conditioned by a systemic situation that remains complex due to the uncertain forecasts of the macroeconomic scenario and of the sector due to the effects of the conflict in Ukraine and the pandemic crisis, or in any case attributable to extraordinary events with respect to which it is appropriate to normalise results in order to more correctly focus on the effective medium/long-term potential of the entity being tested.

### Cash flows

In the valuation of banks and financial intermediaries, the "equity side" approach, within the DDM methodology, is used to determine the equity value because, given the characteristic activity of fund intermediation (funding/lending), it is particularly complex to make a distinction between financial debt and operating debt; moreover, in the Excess Capital version, the cash flows available to shareholders are the cash flows that a shareholder could potentially benefit from within the limits of the capital endowments required by the company's operations, thus taking due account of the absorption of regulatory capital.

### Discount rate

In the valuation of banks and financial intermediaries, reference is made to the so-called cost of equity ( $K_e$ ).

### Growth rate of flows beyond the "explicit" time frame for determining future cash flows

A long-term growth rate in line with expectations of the long-term inflation rate is considered.

### Terminal Value

It is determined through the application of the formula related to the canonical formula of the "perpetual annuity".

The equity value determined, at the date of recognition, according to the procedure outlined above, is then compared with the carrying amount of the Consolidated Own Funds, with the sole objective of verifying any impairment.

#### b) Evaluation parameters used and test determinations

Below are the main assumptions used for impairment tests.

| CGU                  | Model | Database                                         | CAGR<br>RWA | $K_e$  | g     | Plan flows  | Capital ratio        |
|----------------------|-------|--------------------------------------------------|-------------|--------|-------|-------------|----------------------|
| Banco Desio<br>Group | DDM   | 2024-26 Business<br>Plan extended to<br>2028 (*) | 2.6%        | 11.92% | 2.03% | Net Results | Tier1<br>12.06% (**) |

(\*) 5-year forecasts, approved by the Board of Directors on 8 February 2024, which were developed by the management taking into account the 2024-26 Business Plan, the 2024 budget, the 2023 final results as well as the most recent market forecasts available

(\*\*) Target allocated capital on the estimated entity (CET1 average 5Y) also in order to oversee consistency with compliance with the minimum CET1 levels at CRR Group level

The impairment test carried out showed a value higher than the average capitalisation of Banco Desio stock (ordinary shares) as it was higher than the carrying amount of Consolidated Own Funds, at the date of recognition; therefore, no need to write down the Group's assets emerged.

It is emphasised that the parameters and information considered in the development of the impairment test are influenced by the economic situation and the financial markets and may be subject to changes/variations, not foreseeable at present, with consequent effects on the main assumptions considered and therefore, potentially, also on the results that in future years may be different from those shown in these financial statements.

c) Sensitivity analysis

Since the impairment assessment is rendered particularly complex by the current macroeconomic and market context and the consequent difficulty in formulating forecasts of future long-term profitability, an additional "stress test" is conducted to support the test performed, assuming a change in the main parameters used in the impairment test procedure.

The table below summarises the percentage deviations, or percentage points, of the basic assumptions necessary to make the recoverable amount equal to the carrying amount of the Consolidated Own Funds at the date of recognition.

| CGU               | Decrease in % of Future<br>Net Results (NR) | Increase in percentage points<br>of the discount rate for future<br>cash flows (FCFE) |
|-------------------|---------------------------------------------|---------------------------------------------------------------------------------------|
| Banco Desio Group | 30.17%                                      | 536                                                                                   |

In conducting the impairment test, the effects of climate change were not explicitly considered, as a direct impact on this valuation was found to be irrelevant<sup>8</sup>. As also highlighted in Part E of these Notes and in the Report on Operations, in the case of the banking business, the effects of climate change are mainly indirect and not always recognisable as negative on the overall business. In fact, the Business Plan "Beyond 26" qualifies the environmental transition of its customers as a strategic growth lever for the Group; among the enabling factors of the so-called "ESG infusion" there is the development of green financing (with a process of verification of alignment with EU Taxonomy), of direct funding through progressive issues of green-social-sustainable bonds (the framework for which is currently being defined), of the range of sustainable investment products offered as part of asset management and advanced advisory services, and thus, the distribution of sustainable non-life and life insurance products.

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<sup>8</sup> Even ESMA in its public statement on "European common enforcement priorities for 2022 annual financial reports" points out that sensitivity to climate risk should be considered specifically, assessing the characteristics of the company, the sector in which it operates, the reference market and other internal and external variables. ESMA itself considers the case of "industries that are highly energy dependent on fossil fuels", whose "long-term or terminal growth rates used in cash flow projections beyond the period covered by the budget forecast are stable, declining or even negative". Another example that ESMA gives refers to "car manufacturers [that] should disclose how the phase-out of internal combustion engine vehicles in favour of electric vehicles has been factored into the input parameters".

## 10.2 Intangible assets: changes in the year

|                                                   | Goodwill      | Other intangible assets:<br>internally generated |       | Other intangible assets:<br>other |       | Total         |
|---------------------------------------------------|---------------|--------------------------------------------------|-------|-----------------------------------|-------|---------------|
|                                                   |               | DEF                                              | INDEF | DEF                               | INDEF |               |
| <b>A. Opening balance</b>                         | <b>35,963</b> | -                                                | -     | <b>30,328</b>                     | -     | <b>66,291</b> |
| A.1 Total net impairment                          | (20,641)      | -                                                | -     | (25,687)                          | -     | (46,328)      |
| A.2 Net opening balances                          | 15,322        | -                                                | -     | 4,641                             | -     | 19,963        |
| <b>B. Increases</b>                               | -             | -                                                | -     | <b>25,700</b>                     | -     | <b>25,700</b> |
| B.1 Purchases                                     | -             | -                                                | -     | 25,700                            | -     | 25,700        |
| - of which business combinations                  | -             | -                                                | -     | 21,150                            | -     | 21,150        |
| B.2 Increases in internal intangible assets       | X             | -                                                | -     | -                                 | -     | -             |
| B.3 Reversals                                     | X             | -                                                | -     | -                                 | -     | -             |
| B.4 Positive changes in fair value                | -             | -                                                | -     | -                                 | -     | -             |
| - equity                                          | X             | -                                                | -     | -                                 | -     | -             |
| - income statement                                | X             | -                                                | -     | -                                 | -     | -             |
| B.5 Positive exchange rate differences            | -             | -                                                | -     | -                                 | -     | -             |
| B.6 Other changes                                 | -             | -                                                | -     | -                                 | -     | -             |
| <b>C. Decreases</b>                               | -             | -                                                | -     | <b>4,044</b>                      | -     | <b>4,044</b>  |
| C.1 Sales                                         | -             | -                                                | -     | -                                 | -     | -             |
| - of which business combinations                  | -             | -                                                | -     | -                                 | -     | -             |
| C.2 Value adjustments                             | -             | -                                                | -     | 4,044                             | -     | 4,044         |
| - Amortisation                                    | X             | -                                                | -     | 4,044                             | -     | 4,044         |
| - Impairment                                      | -             | -                                                | -     | -                                 | -     | -             |
| + equity                                          | X             | -                                                | -     | -                                 | -     | -             |
| + income statement                                | -             | -                                                | -     | -                                 | -     | -             |
| C.3 Negative changes in fair value:               | -             | -                                                | -     | -                                 | -     | -             |
| - equity                                          | X             | -                                                | -     | -                                 | -     | -             |
| - income statement                                | X             | -                                                | -     | -                                 | -     | -             |
| C.4 Transfers to non-current assets held for sale | -             | -                                                | -     | -                                 | -     | -             |
| C.5 Negative exchange rate differences            | -             | -                                                | -     | -                                 | -     | -             |
| C.6 Other changes                                 | -             | -                                                | -     | -                                 | -     | -             |
| <b>D. Net closing balance</b>                     | <b>15,322</b> | -                                                | -     | <b>26,297</b>                     | -     | <b>41,619</b> |
| D.1 Total net value adjustments                   | (20,641)      | -                                                | -     | (24,421)                          | -     | (45,062)      |
| <b>E. Gross closing balance</b>                   | <b>35,963</b> | -                                                | -     | <b>50,718</b>                     | -     | <b>86,681</b> |
| F. Measurement at cost                            | -             | -                                                | -     | -                                 | -     | -             |

### Key

DEF: definite duration

INDEF: indefinite duration

Item "B.1. Purchases - of which business combinations" shows the value of the intangible assets recognised as a result of the Purchase Price Allocation (PPA) process connected with the acquisition of the branch unit realised in February 2023 with the BPER Group; for further details, please refer to "Part G - Business combinations involving businesses or business units".

## 10.3 Other information

There were no commitments for the purchase of intangible assets at year-end.



## Section 11 - Tax assets and tax liabilities - Item 110 of Assets and Item 60 of Liabilities

### 11.1 Deferred tax assets: breakdown

|                                                                      | IRES           | IRAP          | 31.12.2023     | 31.12.2022     |
|----------------------------------------------------------------------|----------------|---------------|----------------|----------------|
| <b>A) balancing item in income statement:</b>                        |                |               |                |                |
| Tax-deductible goodwill                                              | 2,622          | 531           | 3,153          | 3,710          |
| Impairment of loans to customers deductible on a straight-line basis | 68,189         | 9,679         | 77,868         | 111,654        |
| Lump-sum provision for bad debts                                     | 305            |               | 305            | 305            |
| Statutory depreciation of tangible assets                            | 444            | 1             | 445            | 343            |
| Provision for commitment guarantees and country risk                 | 1,052          |               | 1,052          | 972            |
| Provision for personnel expenses                                     | 6,124          | 1,060         | 7,184          | 5,899          |
| Provision for lawsuits                                               | 3,022          |               | 3,022          | 2,612          |
| Provision for revocation                                             | 392            | 79            | 471            | 649            |
| Provision for miscellaneous charges                                  | 3,781          | 547           | 4,328          | 4,316          |
| Tax allocation for employee severance indemnity                      | 4              |               | 4              | 4              |
| Other overheads deductible in the following year                     | 9              |               | 9              |                |
| Other                                                                | 10,353         | 703           | 11,056         | 5,573          |
| <b>Total A</b>                                                       | <b>96,297</b>  | <b>12,600</b> | <b>108,897</b> | <b>136,037</b> |
| <b>B) balancing item in equity:</b>                                  |                |               |                |                |
| Tax allocation for employee severance indemnity                      | 721            |               | 721            | 721            |
| Impairment of securities classified at FVOCI                         | 7,525          | 1,525         | 9,050          | 17,052         |
| Other                                                                | 62             | 12            | 74             | 82             |
| <b>Total B</b>                                                       | <b>8,308</b>   | <b>1,537</b>  | <b>9,845</b>   | <b>17,855</b>  |
| <b>Total (A+B)</b>                                                   | <b>104,605</b> | <b>14,137</b> | <b>118,742</b> | <b>153,892</b> |

## Probability test on advance taxation

In relation to the deferred tax assets described above, it should be noted that they refer for an amount of Euro 64,273 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.

The aforementioned additional deferred tax assets that do not fall within the scope of Law No. 214/2011, were recognised in consideration of the probability of their recovery, as it is expected that sufficient taxable income may become available in the future to recover the asset. In particular, an analysis was made of deferred tax assets by type and timing of reabsorption, as well as the bank's future profitability and related taxable income on the basis of the economic-financial forecasts contained in the 2024-2026 Business Plan approved by the Board of Directors on 23 November 2023 and their extension to 2028, better described in the impairment test on goodwill. The analysis showed that future taxable income is such that the aforementioned deferred tax assets can be recovered.

### 11.2 Deferred tax liabilities: breakdown

|                                                 | IRES         | IRAP         | 31.12.2023   | 31.12.2022   |
|-------------------------------------------------|--------------|--------------|--------------|--------------|
| <b>A) balancing item in income statement:</b>   |              |              |              |              |
| Tax depreciation of tangible assets             | -            | 13           | 13           | 13           |
| Tax amortisation of goodwill                    | 29           | 6            | 35           | 23           |
| Tax-insignificant intangibles                   | 5,476        | 1,109        | 6,585        |              |
| Other                                           | 745          | 5            | 750          | 752          |
| <b>Total A</b>                                  | <b>6,250</b> | <b>1,133</b> | <b>7,383</b> | <b>788</b>   |
| <b>B) balancing item in equity</b>              |              |              |              |              |
| Tax allocation for employee severance indemnity | 4            | -            | 4            | 4            |
| Revaluation of securities classified at FVOCI   | 693          | 140          | 833          | 168          |
| Revaluation of investments                      | -            | -            | -            | 16           |
| Revaluation of artistic heritage                | 39           | 8            | 47           | 61           |
| <b>Total B</b>                                  | <b>736</b>   | <b>148</b>   | <b>884</b>   | <b>249</b>   |
| <b>Total (A+B)</b>                              | <b>6,986</b> | <b>1,281</b> | <b>8,267</b> | <b>1,037</b> |

The table shows all deferred taxation that will be absorbed in future years.

### 11.3 Changes in deferred tax assets (balancing item in income statement)

|                                                                 | 31.12.2023     | 31.12.2022     |
|-----------------------------------------------------------------|----------------|----------------|
| <b>1. Opening balance</b>                                       | <b>136,037</b> | <b>151,706</b> |
| <b>2. Increases</b>                                             | <b>18,746</b>  | <b>13,470</b>  |
| 2.1 Deferred tax assets recognised in the year                  | 18,122         | 13,299         |
| a) relating to previous years                                   | -              | -              |
| b) due to changes in accounting criteria                        | -              | -              |
| c) reversals                                                    | -              | -              |
| d) other                                                        | 18,122         | 13,299         |
| 2.2 New taxes or increased tax rates                            | -              | -              |
| 2.3 Other increases                                             | 624            | 171            |
| - of which business combinations                                | 623            | -              |
| <b>3. Decreases</b>                                             | <b>45,886</b>  | <b>29,139</b>  |
| 3.1 Deferred tax assets derecognised in the year                | 45,869         | 28,543         |
| a) reversals                                                    | 45,869         | 28,543         |
| b) write-downs for non-recoverability                           | -              | -              |
| c) change in accounting criteria                                | -              | -              |
| d) other                                                        | -              | -              |
| 3.2 Reduced tax rates                                           | -              | -              |
| 3.3 Other decreases:                                            | 17             | 596            |
| a) transformation into tax credits of which as per Law 214/2011 | -              | 346            |
| b) other                                                        | 17             | 250            |
| <b>4. Closing balance</b>                                       | <b>108,897</b> | <b>136,037</b> |

Deferred tax assets recognised during the year mainly refer:

- for Euro 15,787 thousand to allocations to provisions for risks and charges and non-deductible personnel-related provisions;
- for Euro 1,790 thousand to non-deductible provisions for lawsuits and bankruptcy revocatory actions.

The item “2.3 Other increases” refers to the allocation of deferred tax assets, recognised as a balancing entry to the negative goodwill recognised by the Parent Company with reference to the so-called Lanternina Transaction, in relation to fair value adjustments on properties and other tangible assets.

Deferred tax assets derecognised during the year are essentially due:

- for Euro 30,750 thousand to the recovery of write-downs on receivables from previous years, pursuant to Article 16 paragraph 4 of Decree Law No. 83 of 27 June 2015, as amended and supplemented;
- for Euro 3,037 thousand to the deduction of the annual 10% share, pursuant to paragraphs 1067 and 1068 of Article 1 of Law No. 145/2018, of the income components arising from the adoption of the model for recognising expected losses on loans to customers, recognised on the first-time application of IFRS 9;
- for Euro 11,446 thousand to the utilisation of taxed funds.

Item “3.3 Other decreases” refers to the reversal of deferred tax assets as a result of the recalculation made when filing the 2022 tax return.

#### 11.4 Changes in deferred tax assets as per Law 214/2011

|                                       | 31.12.2023    | 31.12.2022     |
|---------------------------------------|---------------|----------------|
| <b>1. Opening balance</b>             | <b>95,278</b> | <b>109,898</b> |
| <b>2. Increases</b>                   | -             | -              |
| - of which business combinations      |               |                |
| <b>3. Decreases</b>                   | <b>31,005</b> | <b>14,620</b>  |
| 3.1 Reversals                         | 31,005        | 14,274         |
| 3.2 Transformation into tax credits   | -             | 346            |
| a) resulting from losses for the year | -             | -              |
| b) resulting from tax losses          | -             | 346            |
| 3.3 Other decreases                   |               |                |
| <b>4. Closing balance</b>             | <b>64,273</b> | <b>95,278</b>  |

The item "3.1 Reversals" refers:

- for Euro 30,750 thousand to the recovery of write-downs on receivables from previous years, pursuant to Article 16 paragraph 4 of Decree Law No. 83 of 27 June 2015, as amended and supplemented;
- for Euro 255 thousand to the amortisation of goodwill previously redeemed.

#### 11.5 Changes in deferred tax liabilities (balancing item in income statement)

|                                                       | 31.12.2023   | 31.12.2022 |
|-------------------------------------------------------|--------------|------------|
| <b>1. Opening balance</b>                             | <b>788</b>   | <b>675</b> |
| <b>2. Increases</b>                                   | <b>7,005</b> | <b>113</b> |
| 2.1 Deferred tax liabilities recognised in the year   | 11           | 113        |
| a) relating to previous years                         | -            | -          |
| b) due to changes in accounting criteria              | -            | -          |
| c) other                                              | 11           | 113        |
| 2.2 New taxes or increased tax rates                  | -            | -          |
| 2.3 Other increases                                   | 6,994        | -          |
| - of which business combinations                      | 6,994        | -          |
| <b>3. Decreases</b>                                   | <b>410</b>   | <b>-</b>   |
| 3.1 Deferred tax liabilities derecognised in the year | 410          | -          |
| a) reversals                                          | 410          | -          |
| b) due to changes in accounting criteria              | -            | -          |
| c) other                                              | -            | -          |
| 3.2 Reduced tax rates                                 | -            | -          |
| 3.3 Other decreases                                   | -            | -          |
| - of which business combinations                      | -            | -          |
| <b>4. Closing balance</b>                             | <b>7,383</b> | <b>788</b> |

The item "2.3 Other increases" refers to the allocation of deferred tax payables, recognised as a balancing entry to the negative goodwill recognised by the Parent Company with reference to the so-called Lanternina Transaction, in connection with the recognition of new intangible assets.

Deferred taxes derecognised during the year relate to the amortisation performed on the aforementioned intangible assets.

#### 11.6 Changes in deferred tax assets (balancing item in equity)

|                                                  | 31.12.2023    | 31.12.2022    |
|--------------------------------------------------|---------------|---------------|
| <b>1. Opening balance</b>                        | <b>17,855</b> | <b>3,787</b>  |
| <b>2. Increases</b>                              | <b>11</b>     | <b>15,920</b> |
| 2.1 Deferred tax assets recognised in the year   | 11            | 15,920        |
| a) relating to previous years                    | -             | -             |
| b) due to changes in accounting criteria         | -             | -             |
| c) other                                         | 11            | 15,920        |
| 2.2 New taxes or increased tax rates             | -             | -             |
| 2.3 Other increases                              | -             | -             |
| - of which business combinations                 | -             | -             |
| <b>3. Decreases</b>                              | <b>8,021</b>  | <b>1,852</b>  |
| 3.1 Deferred tax assets derecognised in the year | 8,021         | 1,852         |
| a) reversals                                     | 8,021         | 1,852         |
| b) write-downs for non-recoverability            | -             | -             |
| c) due to changes in accounting criteria         | -             | -             |
| d) other                                         | -             | -             |
| 3.2 Reduced tax rates                            | -             | -             |
| 3.3 Other decreases                              | -             | -             |
| - of which business combinations                 | -             | -             |
| <b>4. Closing balance</b>                        | <b>9,845</b>  | <b>17,855</b> |

Deferred tax assets recognised during the year are attributable to the valuation of securities classified as Financial assets at fair value through profit or loss (FVOCI).

Deferred tax assets derecognised during the year are mainly related to the valuation of securities classified as Financial assets measured at fair value through other comprehensive income (FVOCI).

#### 11.7 Changes in deferred tax liabilities (balancing item in equity)

|                                                       | 31.12.2023 | 31.12.2022   |
|-------------------------------------------------------|------------|--------------|
| <b>1. Opening balance</b>                             | <b>249</b> | <b>1,286</b> |
| <b>2. Increases</b>                                   | <b>802</b> | <b>177</b>   |
| 2.1 Deferred tax liabilities recognised in the year   | 802        | 177          |
| a) relating to previous years                         | -          | -            |
| b) due to changes in accounting criteria              | -          | -            |
| c) other                                              | 802        | 177          |
| 2.2 New taxes or increased tax rates                  | -          | -            |
| 2.3 Other increases                                   | -          | -            |
| <b>3. Decreases</b>                                   | <b>167</b> | <b>1,214</b> |
| 3.1 Deferred tax liabilities derecognised in the year | 167        | 1,214        |
| a) reversals                                          | 167        | 1,214        |
| b) due to changes in accounting criteria              | -          | -            |
| c) other                                              | -          | -            |
| 3.2 Reduced tax rates                                 | -          | -            |
| 3.3 Other decreases                                   | -          | -            |
| <b>4. Closing balance</b>                             | <b>884</b> | <b>249</b>   |

Deferred tax liabilities recognised during the year are attributable to the valuation of securities classified as Financial assets at fair value through profit or loss (FVOCI).

Deferred tax liabilities derecognised during the year are essentially related to the valuation of securities classified as Financial assets measured at fair value through other comprehensive income (FVOCI).

#### Section 12 - Non-current assets and groups of assets held for sale and related liabilities - Item 120 of Assets and Item 70 of Liabilities

The balance of the item "Non-current assets and groups of assets held for sale" equal to Euro 1 thousand in the previous year refers to the fixed assets included in the transfer of the Banco Desio merchant acquiring activity to Worldline Italia.

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

## Section 13 - Other assets - Item 130

### 13.1 Other assets: breakdown

|                                                                | 31.12.2023     | 31.12.2022     |
|----------------------------------------------------------------|----------------|----------------|
| Tax credits                                                    |                |                |
| - principal share                                              | 453,303        | 431,090        |
| - interest share                                               |                |                |
| Receivables from tax authorities for advances paid             | 22,728         | 32,531         |
| Withholding taxes incurred                                     | 4              |                |
| Negotiated cheques to be settled                               | 12,529         | 15,045         |
| Security deposits                                              |                |                |
| Invoices issued for collection                                 | 78             | 2,929          |
| Debtors for third-party securities and coupons to be collected | 200            |                |
| Stocks of printers and stationery                              |                |                |
| Items being processed and in transit with branches             | 36,317         | 26,846         |
| Currency deviations on portfolio transactions                  |                |                |
| Investments supplementary staff liquidation provision          |                |                |
| Leasehold improvements                                         | 6,341          | 7,426          |
| Accrued and deferred assets                                    | 28,737         | 23,986         |
| Other items                                                    | 42,688         | 37,990         |
| <b>Total</b>                                                   | <b>602,925</b> | <b>577,843</b> |

The item "Tax credits" mainly refers:

- for Euro 442,773 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 by the Parent Company 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 1,121 thousand, to the receivable related to the management of mortgages disbursed for reconstruction after the 2009 Abruzzo earthquake (Euro 1,127 thousand at the end of the previous year);
- for Euro 7,027 thousand, to the credit related to the management of loans disbursed for the reconstruction after the earthquake in Central Italy in 2016 (Euro 4,062 thousand at the end of the previous year).

The amount of ecobonus/seismbonus tax credits purchased by the Parent Company takes into account the updated assessment of the potential risk to which Banco Desio could be exposed following the preventive seizure of tax credits purchased over time (primary and secondary market) for a total of Euro 44.2 million, including the impossibility of offsetting them, for those that will be ascertained to be cases of fraud. In consideration of the position taken by the jurisprudence<sup>9</sup> as to the non-usability of the tax credit due to conduct unrelated to the transferee, of the new information acquired on the status of the investigations by the Public Prosecutor's Office, and of the legal and technical analysis conducted, the bank deemed it appropriate<sup>10</sup> to cautiously increase the overall allocation to a total of Euro 31.2 million,

<sup>9</sup> The Court of Cassation, through a number of rulings made during the year 2022, confirmed the reconstruction postulated by the Public Prosecutor's Office, recognising the legitimacy of the seizure orders due to the non-existence of the claims subject to the precautionary measure

<sup>10</sup> In relation to the possibility that, for what will be ascertained to be cases of fraud, the liability of the transferee, even if a bona fide third party or party to the offence, may also be called upon for hypotheses other than the possible irregular use of the tax credit or for use to a greater extent than the tax credit received



recognising an additional expense of Euro 18.7 million in the item "Other operating expenses/income" in the income statement<sup>11</sup>.

"Receivables from tax authorities for advances paid" refer to taxes for which greater advance payments have been made than the debt that will result from the specific declarations; in detail, they concern:

- the receivable for stamp duty paid virtually in the amount of Euro 16,676 thousand (Euro 24,958 thousand at the end of the previous year);
- the receivable for the advance payment of the substitute tax due on administered "capital gain" in the amount of Euro 5,099 thousand, pursuant to Article 2, paragraph 5 of Decree Law No. 133 of 30 November 2013, (Euro 10,101 thousand at the end of the previous year).

The most significant items under "Items being processed and in transit with branches" are cheques under processing for Euro 853 thousand (Euro 1,181 thousand at the end of the previous year), cheques under processing for Euro 3,661 thousand (Euro 1,501 thousand at the end of the previous year), items awaiting settlement relating to electronic payment cards for Euro 6,429 thousand (Euro 1,167 thousand at the end of the previous year) that relating to F24 proxies accepted and that will be debited on the due date for Euro 6,537 thousand (Euro 9,035 thousand at the end of the previous year) and that relating to the recovery of the commission for making funds available from customers for Euro 9,101 thousand (Euro 7,197 thousand at the end of the previous year). This item includes items relating to transactions that generally settle in the first few days of the following 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 22,889 thousand (Euro 16,498 thousand at the end of the previous year), mainly due to receivables for stamp duty on account statements, receivables for services debited to customers on a quarterly basis, and interbank income;
- receivables of Euro 5,634 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 2,095 thousand (Euro 5,230 thousand at the end of the previous year).

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<sup>11</sup> The assessment of the aforementioned risks necessarily required the application of a significant degree of professional judgement, the main elements of uncertainty of which are attributable to the outcome of the proceedings underway, the identification of the receivables the deductions of which have been assigned are effectively non-existent and the outcome of the initiatives that will be activated by Banco Desio to recover the amounts paid to the entities with respect to which cases of fraud have been ascertained.

## LIABILITIES

### Section 1 - Financial liabilities measured at amortised cost - Item 10

#### 1.1 Financial liabilities measured at amortised cost: breakdown by type of payables to banks

| Type of transactions/Values                                       | 31.12.2023       |            |    |                  | 31.12.2022       |            |    |                  |
|-------------------------------------------------------------------|------------------|------------|----|------------------|------------------|------------|----|------------------|
|                                                                   | CA               | Fair Value |    |                  | CA               | Fair Value |    |                  |
|                                                                   |                  | L1         | L2 | L3               |                  | L1         | L2 | L3               |
| <b>1. Payables to central banks</b>                               | <b>1,479,445</b> | X          | X  | X                | <b>3,004,994</b> | X          | X  | X                |
| <b>2. Payables to banks</b>                                       | <b>470,620</b>   | X          | X  | X                | <b>376,356</b>   | X          | X  | X                |
| 2.1 Current accounts and demand deposits                          | 25,388           | X          | X  | X                | 88,136           | X          | X  | X                |
| 2.2 Fixed-term deposits                                           | -                | X          | X  | X                | -                | X          | X  | X                |
| 2.3 Loans                                                         | 445,232          | X          | X  | X                | 288,220          | X          | X  | X                |
| 2.3.1 Repurchase agreements                                       | 445,232          | 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                |
| <b>Total</b>                                                      | <b>1,950,065</b> | -          | -  | <b>1,950,065</b> | <b>3,381,350</b> | -          | -  | <b>3,381,350</b> |

#### 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 31 December 2023 is equal to 1.4 billion (formerly 3.0 billion); the reduction compared to the previous year is attributable to the reimbursement of Euro 1.6 billion for the natural expiry of two TLTRO III tranches (June and December 2023 respectively).

At 31 December 2023, the item interest expense includes amounts accrued during the year for Euro 92.5 million.

"Current accounts and demand deposits" include the balances of collateral deposits held with Banco Desio by bank counterparties of OTC derivatives.

The item "Repurchase agreements" includes Long-Term Repo contracts on part of the portfolio's assets (eligible and non-eligible) entered into with leading market counterparties in order to optimise funding activities.

## 1.2 Financial liabilities measured at amortised cost: breakdown of payables to customers

| Type of transactions/Values                                      | 31.12.2023        |            |          |                   | 31.12.2022        |            |          |                   |
|------------------------------------------------------------------|-------------------|------------|----------|-------------------|-------------------|------------|----------|-------------------|
|                                                                  | CA                | Fair Value |          |                   | CA                | Fair Value |          |                   |
|                                                                  |                   | L1         | L2       | L3                |                   | L1         | L2       | L3                |
| 1. Current accounts and demand deposits                          | 10,116,726        | X          | X        | X                 | 10,058,896        | X          | X        | X                 |
| 2. Fixed-term deposits                                           | 1,012,693         | X          | X        | X                 | 321,502           | X          | X        | X                 |
| 3. Loans                                                         | 1,101,325         | X          | X        | X                 | 690,496           | X          | X        | X                 |
| 3.1 Repurchase agreements                                        | 607,637           | X          | X        | X                 | 503,113           | X          | X        | X                 |
| 3.2 Other                                                        | 493,688           | 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                                                | 58,693            | X          | X        | X                 | 56,708            | X          | X        | X                 |
| 6. Other payables                                                | 46,667            | X          | X        | X                 | 39,472            | X          | X        | X                 |
| <b>31.12.2023</b>                                                | <b>12,336,104</b> | <b>-</b>   | <b>-</b> | <b>12,336,104</b> | <b>11,167,074</b> | <b>-</b>   | <b>-</b> | <b>11,167,074</b> |

### Key

CA = Carrying amount

L1= Level 1

L2= Level 2

L3= Level 3

The balance at 31 December 2023 of payables to customers, compared to the comparative period, is affected by the inclusion in the portfolio of the positions acquired following the acquisition of the two business units from the BPER Group in the Lanternina Transaction.

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 215 million.

Item "5. Lease payables" includes, in application of IFRS16 in force as of 1 January 2019, liabilities associated with lease liabilities, consisting of the present value of payments still to be paid to the lessor at the reference date.

The main items under item "6. "Other payables" include: cashier's cheques in the amount of Euro 40,520 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 1,914 thousand.

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

| Type of securities/Values | 31.12.2023       |            |                  |                | 31.12.2022       |            |                  |              |
|---------------------------|------------------|------------|------------------|----------------|------------------|------------|------------------|--------------|
|                           | CA               | Fair Value |                  |                | CA               | Fair Value |                  |              |
|                           |                  | L1         | L2               | L3             |                  | L1         | L2               | L3           |
| <b>A. Securities</b>      |                  |            |                  |                |                  |            |                  |              |
| 1. bonds                  | 2,509,466        | -          | 2,205,972        | 229,371        | 1,531,574        | -          | 1,493,586        | -            |
| 1.1 structured            | -                | -          | -                | -              | -                | -          | -                | -            |
| 1.2 other                 | 2,509,466        | -          | 2,205,972        | 229,371        | 1,531,574        | -          | 1,493,586        | -            |
| 2. other securities       | 353              | -          | -                | 353            | 4,577            | -          | -                | 4,577        |
| 2.1 structured            | -                | -          | -                | -              | -                | -          | -                | -            |
| 2.2 other                 | 353              | -          | -                | 353            | 4,577            | -          | -                | 4,577        |
| <b>Total</b>              | <b>2,509,819</b> | <b>-</b>   | <b>2,205,972</b> | <b>229,724</b> | <b>1,536,151</b> | <b>-</b>   | <b>1,493,586</b> | <b>4,577</b> |

**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 1,578 million issued and the subordinate PO commented on in the following paragraph 1.4.

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

### 1.4 Breakdown of payables/subordinated securities

During the period, the Parent Company Banco Desio issued a Tier 2 Subordinated 10Y non-call 5Y Bond for a nominal amount of Euro 60 million: the following table shows the main information and for further details please refer to section "4.2 Corporate events" of the Report on Operations.

| Bonds                  | Issue date | Maturity date | Currency | Rate | 31.12.2023    | 31.12.2022 |
|------------------------|------------|---------------|----------|------|---------------|------------|
| ISIN Code IT0005554644 | 06.07.2023 | 06.07.2033    | Euro     | TF   | 62,544        | -          |
| <b>Total</b>           |            |               |          |      | <b>62,544</b> | <b>-</b>   |

## Section 2 - Financial liabilities held for trading - Item 20

### 2.1 Financial liabilities held for trading: breakdown by type

| Type of transactions/Values            | 31.12.2023 |    |       |     |              | 31.12.2022 |    |       |     |              |
|----------------------------------------|------------|----|-------|-----|--------------|------------|----|-------|-----|--------------|
|                                        | Fair Value |    |       |     | Fair Value * | Fair Value |    |       |     | Fair Value * |
|                                        | NV         | L1 | L2    | L3  |              | NV         | L1 | L2    | L3  |              |
| <b>A. On-balance sheet liabilities</b> |            |    |       |     |              |            |    |       |     |              |
| 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            |
| <b>Total A</b>                         | -          | -  | -     | -   | -            | -          | -  | -     | -   | -            |
| <b>B. Derivative instruments</b>       |            |    |       |     |              |            |    |       |     |              |
| 1. Financial derivatives               | -          | -  | 1,062 | 688 | -            | -          | -  | 3,278 | 852 | -            |
| 1.1 For trading                        | X          | -  | 1,062 | 688 | X            | X          | -  | 3,278 | 852 | X            |
| 1.2 Related to the fair value option   | X          | -  | -     | -   | X            | X          | -  | -     | -   | X            |
| 1.3 Other                              | X          | -  | -     | -   | X            | X          | -  | -     | -   | X            |
| 2. Credit derivatives                  | -          | -  | -     | -   | -            | -          | -  | -     | -   | -            |
| 2.1 For trading                        | X          | -  | -     | -   | X            | X          | -  | -     | -   | X            |
| 2.2 Related to the fair value option   | X          | -  | -     | -   | X            | X          | -  | -     | -   | X            |
| 2.3 Other                              | X          | -  | -     | -   | X            | X          | -  | -     | -   | X            |
| <b>Total B</b>                         | X          | -  | 1,062 | 688 | X            | X          | -  | 3,278 | 852 | X            |
| <b>Total (A+B)</b>                     | X          | -  | 1,062 | 688 | 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, for which the hedging relationship was discontinued, and to the fair value of swap and outright contracts that are subject to natural hedges.

### 2.2 Breakdown of "Financial liabilities held for trading": subordinated liabilities

At the reporting date, there were no subordinated financial trading liabilities.

### 2.3 Breakdown of "Financial liabilities held for trading": structured debt

At the reporting date, there were no structured debts under financial liabilities held for trading.

## Section 4 - Hedging derivatives - Item 40

|                                 | Fair value |               |    | NV             | Fair value |            |    | NV         |
|---------------------------------|------------|---------------|----|----------------|------------|------------|----|------------|
|                                 | L1         | L2            | L3 |                | L1         | L2         | L3 |            |
|                                 |            | 31.12.2023    |    | 31.12.2023     |            | 31.12.2022 |    | 31.12.2022 |
| <b>A. Financial derivatives</b> | -          | <b>14,556</b> | -  | <b>610,000</b> | -          | -          | -  | -          |
| 1) Fair value                   | -          | 14,556        | -  | 610,000        | -          | -          | -  | -          |
| 2) Cash flows                   | -          | -             | -  | -              | -          | -          | -  | -          |
| 3) Foreign investments          | -          | -             | -  | -              | -          | -          | -  | -          |
| <b>B. Credit derivatives</b>    | -          | -             | -  | -              | -          | -          | -  | -          |
| 1) Fair value                   | -          | -             | -  | -              | -          | -          | -  | -          |
| 2) Cash flows                   | -          | -             | -  | -              | -          | -          | -  | -          |
| <b>Total</b>                    | -          | <b>14,556</b> | -  | <b>610,000</b> | -          | -          | -  | -          |

### Key

NV = Nominal or 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 the derivative financial instruments put in place to hedge the interest rate risk of fixed-rate debt securities classified in the held-to-collect portfolio (fair value hedge type coverage);
- 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, in 2023, the Bank joined the Clearing service for OTC interest rate derivatives by identifying the central counterparty (Eurex Clearing) for clearing derivative transactions.

## Section 6 - Tax liabilities - Item 60

The breakdown of and changes in tax liabilities are provided in Section 11 of Assets together with information on deferred tax assets.

## Section 8 - Other liabilities - Item 80

### 8.1 Other liabilities: breakdown

|                                                                      | 31.12.2023     | 31.12.2022     |
|----------------------------------------------------------------------|----------------|----------------|
| Payables to tax authorities                                          | 168            | 492            |
| Amounts to be paid to the tax authorities on behalf of Third Parties | 44,725         | 34,522         |
| Social security contributions to be reimbursed                       | 8,625          | 6,154          |
| Shareholders dividend account                                        | 25             | 18             |
| Suppliers                                                            | 31,797         | 27,519         |
| Amounts available to customers                                       | 14,769         | 11,695         |
| Interests and amounts to be credited                                 |                |                |
| Payments against provision on bills                                  | 87             | 74             |
| Advance payments on overdue receivables                              | 1,050          | 455            |
| Items being processed and in transit with branches                   | 22,680         | 20,737         |
| Currency deviations on portfolio transactions                        | 18,267         | 23,661         |
| Payables to employees                                                | 2,252          | 5,052          |
| Sundry creditors                                                     | 134,619        | 112,128        |
| Provisions on guarantees given and commitments                       |                |                |
| Accrued and deferred liabilities                                     | 15,387         | 12,961         |
| <b>Total</b>                                                         | <b>294,451</b> | <b>255,468</b> |

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 Group.

"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 2,507 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 618 thousand (Euro 592 thousand at the end of the previous year),
- items related to securities transactions subsequently settled in the amount of Euro 2,581 (Euro 8,043 thousand at the end of the previous year),
- collections related to factoring transactions from customers in the amount of Euro 6,785 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 incentives totalling Euro 1,582 thousand (Euro 3,830 thousand at the end of the previous year) and the valuation of holidays and leave not taken totalling Euro 575 thousand (Euro 474 thousand at the end of the previous year).

The main items that make up the item "Sundry creditors" concern outgoing transfers to be settled in the Clearing House in favour of current account holders of other banks for a total of Euro 117,213 thousand (Euro 94,089 thousand at the end of last year), sundry creditors for currency negotiation transactions in the amount of Euro 3,559 thousand (Euro 886 thousand last year), creditors for bills withdrawn in the amount of Euro 1,145 thousand (Euro 1,697 thousand last year).

## Section 9 - Employee severance indemnity (TFR) - Item 90

## 9.1 Employee severance indemnity: changes in the year

|                             | 31.12.2023    | 31.12.2022     |
|-----------------------------|---------------|----------------|
| <b>A. Opening balance</b>   | <b>17,790</b> | <b>21,960</b>  |
| <b>B. Increases</b>         | <b>2,398</b>  | <b>109</b>     |
| B.1 Allocation for the year | 668           | 109            |
| B.2 Other changes           | 1,730         | -              |
| <b>C. Decreases</b>         | <b>(824)</b>  | <b>(4,279)</b> |
| C.1 Payments made           | (766)         | (2,695)        |
| C.2 Other changes           | (58)          | (1,584)        |
| <b>D. Closing balance</b>   | <b>19,364</b> | <b>17,790</b>  |
| <b>Total</b>                | <b>19,364</b> | <b>17,790</b>  |

In application of international accounting standards, the provision for employee severance indemnity is classified as a defined-benefit fund, therefore subject to actuarial valuation, the assumptions used for which are explained in the following section.

Provisions for the year do not include amounts directly paid by the Group, according to the choices expressed by employees, to supplementary pension schemes or to the treasury Fund managed directly by INPS. The cost of these choices, which for the year amounted to Euro 10,717 thousand (Euro 11,417 thousand last year), is recognised under Personnel expenses in sub-item "g) contributions to external supplementary pension funds".

The items "B.2 Other changes" and "C.2 Other changes" relate to the effect (positive or negative) of the discounting of the statutory provision for employee severance indemnity. It should be noted that item B.2 includes the impact of the acquisition of the two business units from the BPER Banca group (the so-called Lanternina Transaction).

The debt accrued at the end of the financial year according to civil law for existing Group personnel amounted to Euro 20,156 thousand.

## 9.2 Other information

The actuarial assumptions used by the independent actuary to determine the liabilities at the reporting date are as follows:

### *Demographic assumptions*

- for death probabilities those determined by the General Accounting Office of the State called RG48, broken down by gender;
- for disability probabilities, broken down by gender, adopted in the INPS model for projections to 2010. These probabilities were constructed starting from the breakdown by age and gender of the pensions in force on 1 January 1987 with effect from 1984, 1985, 1986 relating to the personnel of the credit business unit;
- for the period of retirement for the generic asset, it was assumed that the first of the retirement requirements valid for the Compulsory General Insurance will be reached;
- for the probability of exit from work due to causes other than death, on the basis of internal statistics, annual frequencies of 2.50% were considered; account was also taken of the Group's redundancy plan;



- a year-by-year value of 4% was assumed for the probability of anticipation;

#### *Economic and financial assumptions*

The technical evaluations were carried out on the basis of the following assumptions:

- technical discount rate 3.04%
- annual inflation rate 2.00%
- annual rate of total salary increase 3.00%
- annual TFR increase rate 3.00%.

With regard to the discount rate, the iBoxx Eurozone Corporates AA 7 - 10 index at the latest available date was taken as the reference for the valuation of this parameter.

The following table represents the sensitivity analysis of the liability recognised when the economic-financial assumptions change:

|                                   | Positive change<br>of parameter (+) | Negative change<br>of parameter (-) |
|-----------------------------------|-------------------------------------|-------------------------------------|
| Annual discount rate (+/- 0.25%)  | 19,116                              | 19,620                              |
| Annual inflation rate (+/- 0.25%) | 19,508                              | 19,223                              |
| Annual turnover rate (+/- 2.00%)  | 19,407                              | 19,314                              |

## **Section 10 - Provisions for risk and charges - Item 100**

### **10.1 Provisions for risks and charges: breakdown**

| Items/Components                                                                    | 31.12.2023    | 31.12.2022    |
|-------------------------------------------------------------------------------------|---------------|---------------|
| 1. Provisions for credit risk related to commitments and financial guarantees given | 4,096         | 3,534         |
| 2. Provisions on other commitments and other guarantees given                       | -             | -             |
| 3. Company pension funds                                                            | -             | -             |
| 4. Other provisions for risks and charges                                           | 59,256        | 51,729        |
| 4.1 legal and tax disputes                                                          | 12,885        | 12,026        |
| 4.2 personnel expenses                                                              | 23,101        | 17,981        |
| 4.3 other                                                                           | 23,270        | 21,722        |
| <b>Total</b>                                                                        | <b>63,352</b> | <b>55,263</b> |

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 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 11,421 thousand for lawsuits (Euro 9,896 thousand at year-end) and Euro 1,465 thousand for bankruptcy revocatory actions (formerly Euro 2,130 thousand).

Item "4.2 personnel expenses" mainly includes the estimated liabilities for redundancy costs in the amount of Euro 260 thousand (Euro 459 thousand last year), for the bonus system in the amount of Euro 19,283 thousand (Euro 14,528 thousand last year), seniority bonuses and additional holidays in the amount of Euro 3,364 thousand (Euro 2,994 thousand last year).

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.

#### 10.2 Provisions for risks and charges: changes in the year

|                                        | Other provisions for risks and charges | Total         |
|----------------------------------------|----------------------------------------|---------------|
| <b>A. Opening balance</b>              | <b>51,729</b>                          | <b>51,729</b> |
| <b>B. Increases</b>                    | <b>32,093</b>                          | <b>32,093</b> |
| B.1 Allocation for the year            | 28,948                                 | 28,948        |
| B.2 Changes due to the passage of time | 454                                    | 454           |
| B.3 Discount rate changes              | -                                      | -             |
| B.4 Other changes                      | 2,691                                  | 2,691         |
| - of which business combinations       | 934                                    | 934           |
| <b>C. Decreases</b>                    | <b>24,566</b>                          | <b>24,566</b> |
| C.1 Used in the year                   | 21,970                                 | 21,970        |
| C.2 Discount rate changes              | -                                      | -             |
| C.3 Other changes                      | 2,596                                  | 2,596         |
| - of which business combinations       | 556                                    | 556           |
| <b>D. Closing balance</b>              | <b>59,256</b>                          | <b>59,256</b> |

#### 10.3 Provisions for credit risk related to commitments and financial guarantees given

| Provisions for credit risk related to commitments and financial guarantees given |             |              |              |                                  |              |
|----------------------------------------------------------------------------------|-------------|--------------|--------------|----------------------------------|--------------|
|                                                                                  | First stage | Second stage | Third stage  | Impaired purchased or originated | Total        |
| Commitments to disburse funds                                                    | 398         | 173          | -            | -                                | 571          |
| Financial guarantees given                                                       | 135         | 643          | 2,747        | -                                | 3,525        |
| <b>Total</b>                                                                     | <b>533</b>  | <b>816</b>   | <b>2,747</b> | <b>-</b>                         | <b>4,096</b> |

#### 10.5 Defined-benefit company pension funds

There were no balances at year-end.

#### 10.6 Provisions for risks and charges: other provisions

Details of the item "Other provisions for risks and charges" were provided in the comments to Section 10.1.

## Section 13 - Group Equity - Items 120, 130, 140, 150, 160, 170 and 180

### 13.1 "Capital" and "Treasury shares": breakdown

|                           | 31.12.2023    | 31.12.2022    |
|---------------------------|---------------|---------------|
| <b>A. Capital</b>         | <b>70,693</b> | <b>70,693</b> |
| A.1 Ordinary shares       | 70,693        | 70,693        |
| A.2 Savings shares        |               |               |
| A.3 Privileged shares     |               |               |
| <b>B. Treasury shares</b> |               |               |
| B.1 Ordinary shares       |               |               |
| B.2 Savings shares        |               |               |
| B.3 Privileged shares     |               |               |
| <b>Total</b>              | <b>70,693</b> | <b>70,693</b> |

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

### 13.2 Capital - Number of Parent Company shares: changes in the year

|                                                | Ordinary           | Other    |
|------------------------------------------------|--------------------|----------|
| <b>A. Shares at the beginning of the year</b>  | <b>134,363,049</b> | <b>-</b> |
| - fully paid-up                                | 134,363,049        |          |
| - not fully paid-up                            |                    |          |
| A.1 Treasury shares (-)                        |                    |          |
| <b>A.2 Shares outstanding: opening balance</b> | <b>134,363,049</b> | <b>-</b> |
| <b>B. Increases</b>                            |                    |          |
| B.1 New issues                                 |                    |          |
| - payment                                      |                    |          |
| - business combinations                        |                    |          |
| - conversion of bonds                          |                    |          |
| - warrants exercised                           |                    |          |
| - other                                        |                    |          |
| - free of charge                               |                    |          |
| - employees                                    |                    |          |
| - directors                                    |                    |          |
| - other                                        |                    |          |
| B.2 Sale of treasury shares                    |                    |          |
| B.3 Other changes                              |                    |          |
| <b>C. Decreases</b>                            |                    |          |
| C.1 Derecognition                              |                    |          |
| C.2 Purchase of treasury shares                |                    |          |
| C.3 Disposal of businesses                     |                    |          |
| C.4 Other changes                              |                    |          |
| <b>D. Shares outstanding: closing balance</b>  | <b>134,363,049</b> | <b>-</b> |
| D.1 Treasury shares (+)                        |                    |          |
| D.2 Shares at the end of the year              | 134,363,049        |          |
| - fully paid-up                                | 134,363,049        |          |
| - not fully paid-up                            |                    |          |

### 13.3 Capital: other information

There is no further information in addition to that already provided in the previous paragraphs.

### 13.4 Profit reserves: other information

|                            | 31.12.2023       | 31.12.2022     |
|----------------------------|------------------|----------------|
| Legal reserve              | 119,250          | 110,431        |
| Statutory reserves         | 687,141          | 634,307        |
| Retained earnings (losses) | 98,660           | 97,363         |
| Reserves other FTA         | 102,964          | 102,964        |
| Other reserves             | 84               | 68             |
| <b>Total</b>               | <b>1,008,099</b> | <b>945,133</b> |

## Section 14 – Equity attributable to minority interests – Item 190

### 14.1 Detail of item 190 “Equity attributable to minority interests”

| Company name                                                                     | 31.12.2023 | 31.12.2022 |
|----------------------------------------------------------------------------------|------------|------------|
| <b>Investments in consolidated companies with significant minority interests</b> | <b>4</b>   | <b>4</b>   |
| Desio OBG S.r.l.                                                                 | 4          | 4          |
| <b>Other investments</b>                                                         | <b>10</b>  | <b>10</b>  |
| Coppedè SPV Srl                                                                  | 10         | 10         |
| <b>Total</b>                                                                     | <b>14</b>  | <b>14</b>  |

### 14.2 Equity instruments: breakdown and changes in the year

Not present.

## OTHER INFORMATION

### 1. Commitments and financial guarantees given

|                                         | Nominal value on commitments and financial guarantees given |                |               |                                  | 31.12.2023       | 31.12.2022       |
|-----------------------------------------|-------------------------------------------------------------|----------------|---------------|----------------------------------|------------------|------------------|
|                                         | First stage                                                 | Second stage   | Third stage   | Impaired purchased or originated |                  |                  |
| <b>1. Commitments to disburse funds</b> | <b>3,275,824</b>                                            | <b>132,917</b> | <b>19,533</b> | <b>-</b>                         | <b>3,428,274</b> | <b>3,107,264</b> |
| a) Central banks                        | -                                                           | -              | -             | -                                | -                | -                |
| b) Public administrations               | 76,844                                                      | -              | -             | -                                | 76,844           | 56,987           |
| c) Banks                                | 10,802                                                      | -              | -             | -                                | 10,802           | 7,284            |
| d) Other financial companies            | 177,523                                                     | 6,401          | -             | -                                | 183,924          | 143,858          |
| e) Non-financial companies              | 2,798,772                                                   | 116,952        | 18,524        | -                                | 2,934,248        | 2,685,516        |
| f) Households                           | 211,883                                                     | 9,564          | 1,009         | -                                | 222,456          | 213,619          |
| <b>2. Financial guarantees given</b>    | <b>18,324</b>                                               | <b>2,254</b>   | <b>600</b>    | <b>-</b>                         | <b>21,178</b>    | <b>37,094</b>    |
| a) Central banks                        | -                                                           | -              | -             | -                                | -                | -                |
| b) Public administrations               | -                                                           | -              | -             | -                                | -                | -                |
| c) Banks                                | 32                                                          | -              | -             | -                                | 32               | 32               |
| d) Other financial companies            | 2,778                                                       | -              | -             | -                                | 2,778            | 2,801            |
| e) Non-financial companies              | 12,874                                                      | 1,980          | 537           | -                                | 15,391           | 30,004           |
| f) Households                           | 2,640                                                       | 274            | 63            | -                                | 2,977            | 4,257            |

## 2. Other commitments and other guarantees given

|                                    | Nominal value  | Nominal value  |
|------------------------------------|----------------|----------------|
|                                    | 31.12.2023     | 31.12.2022     |
| <b>1. Other guarantees given</b>   | <b>217,376</b> | <b>219,801</b> |
| of which: non-performing exposures | 3,889          | 2,883          |
| a) Central banks                   | -              | -              |
| b) Public administrations          | 46             | 48             |
| c) Banks                           | 5,495          | 5,773          |
| d) Other financial companies       | 2,227          | 1,871          |
| e) Non-financial companies         | 193,784        | 195,420        |
| f) Households                      | 15,824         | 16,689         |
| <b>2. Other commitments</b>        |                |                |
| of which: non-performing exposures | -              | -              |
| a) Central banks                   | -              | -              |
| b) Public administrations          | -              | -              |
| c) Banks                           | -              | -              |
| d) Other financial companies       | -              | -              |
| e) Non-financial companies         | -              | -              |
| f) Households                      | -              | -              |

## 3. Assets pledged to secure own liabilities and commitments

| Portfolios                                                                    | 31.12.2023 | 31.12.2022 |
|-------------------------------------------------------------------------------|------------|------------|
| 1. Financial assets measured at fair value through profit or loss             | -          | -          |
| 2. Financial assets measured at fair value through other comprehensive income | 382,219    | 149,677    |
| 3. Financial assets measured at amortised cost                                | 5,294,646  | 6,636,323  |
| 4. Tangible assets                                                            | -          | -          |
| of which: tangible assets constituting inventories                            | -          | -          |

Item "3. Financial assets valued at amortised cost" include the loans transferred to the special purpose vehicle Desio OBG Srl constituting assets eligible for the Guaranteed Banking Bond (OBB) issuing programme, the mortgages collateralised with the ECB through the procedure A.Ba.Co. and the loans transferred to the Coppedè Srl special purpose vehicle relating to the Coppedè 1 and Coppedè 2 securitisation transactions.

## 5. Management and intermediation for third parties

| Type of services                                                                                                      | 31.12.2023        |
|-----------------------------------------------------------------------------------------------------------------------|-------------------|
| <b>1. Execution of orders on behalf of customers</b>                                                                  | -                 |
| a) purchases                                                                                                          | -                 |
| 1. settled                                                                                                            | -                 |
| 2. not settled                                                                                                        | -                 |
| b) sales                                                                                                              | -                 |
| 1. settled                                                                                                            | -                 |
| 2. not settled                                                                                                        | -                 |
| <b>2. Individual portfolio management</b>                                                                             | <b>1,726,138</b>  |
| <b>3. Custody and administration of securities</b>                                                                    | <b>30,173,520</b> |
| a) third-party securities on deposit: associated with activities as a custodian bank (excluding portfolio management) | -                 |
| 1. securities issued by the reporting bank                                                                            | -                 |
| 2. other securities                                                                                                   | -                 |
| b) third-party securities on deposit (excluding portfolio management): other                                          | 12,882,701        |
| 1. securities issued by the reporting bank                                                                            | 784,662           |
| 2. other securities                                                                                                   | 12,098,039        |
| c) third-party securities deposited with third parties                                                                | 12,864,931        |
| d) own securities deposited with third parties                                                                        | 4,425,888         |
| <b>4. Other transactions</b>                                                                                          | -                 |



**6. Financial assets subject to offsetting in the financial statements, or subject to netting framework agreements or similar agreements**

| Technical forms          | Gross amount of financial assets (a) | Amount of financial liabilities offset in the financial statements (b) | Net amount of financial assets reported in the financial statements (c=a-b) | Related amounts not subject to offsetting in the financial statements |                                         | Net amount (f=c-d-e)<br>31.12.2023 | Net amount<br>31.12.2022 |
|--------------------------|--------------------------------------|------------------------------------------------------------------------|-----------------------------------------------------------------------------|-----------------------------------------------------------------------|-----------------------------------------|------------------------------------|--------------------------|
|                          |                                      |                                                                        |                                                                             | Financial instruments (d)                                             | Cash deposits received in guarantee (e) |                                    |                          |
| 1. Derivatives           | 7,339                                | -                                                                      | 7,339                                                                       | -                                                                     | 7,339                                   | -                                  | 4,244                    |
| 2. Repurchase agreements | -                                    | -                                                                      | -                                                                           | -                                                                     | -                                       | -                                  | -                        |
| 3. Securities lending    | -                                    | -                                                                      | -                                                                           | -                                                                     | -                                       | -                                  | -                        |
| 4. Other                 | -                                    | -                                                                      | -                                                                           | -                                                                     | -                                       | -                                  | -                        |
| <b>Total</b>             | <b>31.12.2023</b>                    | <b>7,339</b>                                                           | <b>-</b>                                                                    | <b>7,339</b>                                                          | <b>-</b>                                | <b>7,339</b>                       | <b>-</b>                 |
| <b>Total</b>             | <b>31.12.2022</b>                    | <b>60,750</b>                                                          | <b>-</b>                                                                    | <b>60,750</b>                                                         | <b>-</b>                                | <b>56,506</b>                      | <b>4,244</b>             |

**7. Financial liabilities subject to offsetting in the financial statements, or subject to netting framework agreements or similar agreements**

| Technical forms          | Gross amount of financial liabilities (a) | Amount of financial assets offset in the financial statements (b) | Net amount of financial liabilities reported in the financial statements (c=a-b) | Related amounts not subject to offsetting in the financial statements |                                         | Net amount (f=c-d-e)<br>31.12.2023 | Net amount<br>31.12.2022 |
|--------------------------|-------------------------------------------|-------------------------------------------------------------------|----------------------------------------------------------------------------------|-----------------------------------------------------------------------|-----------------------------------------|------------------------------------|--------------------------|
|                          |                                           |                                                                   |                                                                                  | Financial instruments (d)                                             | Cash deposits received in guarantee (e) |                                    |                          |
| 1. Derivatives           | -                                         | -                                                                 | -                                                                                | -                                                                     | -                                       | -                                  | 61                       |
| 2. Repurchase agreements | -                                         | -                                                                 | -                                                                                | -                                                                     | -                                       | -                                  | -                        |
| 3. Securities lending    | -                                         | -                                                                 | -                                                                                | -                                                                     | -                                       | -                                  | -                        |
| 4. Other                 | -                                         | -                                                                 | -                                                                                | -                                                                     | -                                       | -                                  | -                        |
| <b>Total</b>             | <b>31.12.2023</b>                         | <b>-</b>                                                          | <b>-</b>                                                                         | <b>-</b>                                                              | <b>-</b>                                | <b>-</b>                           | <b>-</b>                 |
| <b>Total</b>             | <b>31.12.2022</b>                         | <b>253</b>                                                        | <b>-</b>                                                                         | <b>253</b>                                                            | <b>-</b>                                | <b>192</b>                         | <b>61</b>                |

Tables 6 and 7 show the positive fair values (Table 6 column (a) "Gross amount of financial assets" and (c) "Net amount of financial assets reported in the financial statements") and negative fair values (Table 7 column (a) "Gross amount of financial liabilities" and (c) "Net amount of financial liabilities reported in the financial statements") of derivatives for which Credit Support Annex Agreements (ISDA) are in place. These agreements, while not meeting all the requirements of IAS 32 paragraph 42 for offsetting in the financial statements, provide for mechanisms to mitigate the risk of counterparty default by exchanging collateral on time deposits and allow for the offsetting of credit and debit positions relating to financial and credit derivatives upon the occurrence of certain events such as counterparty default. In line with the provisions

of IFRS 7 and the latest provisions on the rules for the preparation of bank financial statements, the following was taken into account when completing the tables:

- the effects of potential offsetting of the countervalues of the financial statements of financial assets and liabilities, indicated in column (d) "Financial Instruments", together with the fair value of real financial guarantees represented by securities;
- the effects of the potential offsetting of exposures with cash collateral, indicated in column (e) "Cash deposits received as collateral".

These effects are recognised for counterparties with which a netting framework agreement is in place up to the amount reported in column (c) "Net amount of financial assets reported in the financial statements".

## PART C - INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

### Section 1 - Interest - Items 10 and 20

#### 1.1 Interest and similar income: breakdown

##### 1.1 Interest and similar income: breakdown

| Items/technical forms                                                                | Debt securities | Loans          | Other transactions | 31.12.2023     | 31.12.2022     |
|--------------------------------------------------------------------------------------|-----------------|----------------|--------------------|----------------|----------------|
| <b>1. Financial assets measured at fair value through profit or loss:</b>            | <b>550</b>      | <b>-</b>       | <b>-</b>           | <b>550</b>     | <b>750</b>     |
| 1.1 Financial assets held for trading                                                | 549             | -              | -                  | 549            | 736            |
| 1.2 Financial assets designated at fair value                                        | -               | -              | -                  | -              | -              |
| 1.3 Other financial assets mandatorily measured at fair value                        | 1               | -              | -                  | 1              | 14             |
| <b>2. Financial assets measured at fair value through other comprehensive income</b> | <b>18,706</b>   | <b>-</b>       | <b>X</b>           | <b>18,706</b>  | <b>4,279</b>   |
| <b>3. Financial assets measured at amortised cost:</b>                               | <b>69,581</b>   | <b>503,509</b> | <b>-</b>           | <b>573,090</b> | <b>302,079</b> |
| 3.1 Loans with banks                                                                 | 15,576          | 67,696         | X                  | 83,272         | 15,087         |
| 3.2 Loans to customers                                                               | 54,005          | 435,813        | X                  | 489,818        | 286,992        |
| <b>4. Hedging derivatives</b>                                                        | <b>X</b>        | <b>X</b>       | <b>8,423</b>       | <b>8,423</b>   | <b>-</b>       |
| <b>5. Other assets</b>                                                               | <b>X</b>        | <b>X</b>       | <b>19,913</b>      | <b>19,913</b>  | <b>9,573</b>   |
| <b>6. Financial liabilities</b>                                                      | <b>X</b>        | <b>X</b>       | <b>X</b>           | <b>21</b>      | <b>20,254</b>  |
| <b>Total</b>                                                                         | <b>88,837</b>   | <b>503,509</b> | <b>28,336</b>      | <b>620,703</b> | <b>336,935</b> |
| of which: interest income on impaired financial assets                               | -               | 301            | -                  | 301            | 135            |
| of which: interest income on finance lease                                           | X               | 7,653          | X                  | 7,653          | 2,997          |

The balance at 31 December 2023 of the item, compared to the comparative period, is affected positively by the inclusion in the portfolio of the positions acquired following the acquisition of the two business units from the BPER Group in the Lanternina Transaction and the dynamics of market rates.

Interest on "Financial assets at amortised cost" is shown net of interest on arrears accrued and not collected in the reporting period on impaired assets, because it is only recognised in the financial statements when collected. Overall, interest of this kind accrued at year-end amounted to Euro 5,576 thousand (Euro 2,354 thousand last year). The item includes interest on arrears referring to previous years and collected in the year totalled Euro 382 thousand (Euro 362 thousand last year).

Item "5. Other assets" mainly includes the revenues related to Eco and Sismabonus tax credits recognised by the Bank following their assignment by customers, the remuneration for which is recognised in interest income over the recovery period of the credits.

Item "6. Financial liabilities" include interest income on repurchase agreements; at 31 December 2022, this item included, in addition to said interest income on repurchase agreements, also the interest accrued on TLTRO III loans obtained from the Eurosystem and recognised at the effective interest rate according to the amortised cost criterion for Euro 17,384 thousand.

## 1.2 Interest and similar income: other information

### 1.2.1 Interest income on financial assets in foreign currency

| Items                                                   | 31.12.2023 | 31.12.2022 |
|---------------------------------------------------------|------------|------------|
| Interest income on financial assets in foreign currency | 2,798      | 1,046      |

### 1.2.2 Interest income on financial lease transactions

Total interest income recognised as income for the year, included in the item "Loans to customers - loans", amounted to Euro 7,629 thousand (Euro 2,993 thousand last year); of this amount, Euro 7,182 thousand related to index-linked agreements, of which Euro 257 thousand related to leaseback agreements (in 2022, Euro 2,803 thousand related to index-linked agreements, of which Euro 126 thousand related to leaseback agreements).

Financial profits accruing in subsequent years amounted to Euro 13,195 thousand, of which Euro 735 thousand on leaseback agreements (last year: Euro 14,600 thousand and Euro 1,310 thousand respectively).

## 1.3 Interest and similar expense: breakdown

| Items/technical forms                               | Payables         | Securities      | Other transactions | 31.12.2023       | 31.12.2022      |
|-----------------------------------------------------|------------------|-----------------|--------------------|------------------|-----------------|
| 1. Financial liabilities measured at amortised cost | (217,749)        | (30,506)        | X                  | (248,255)        | (41,654)        |
| 1.1 Payables to central banks                       | (92,540)         | X               | X                  | (92,540)         | -               |
| 1.2 Payables to banks                               | (19,505)         | X               | X                  | (19,505)         | (1,052)         |
| 1.3 Payables to customers                           | (105,704)        | X               | X                  | (105,704)        | (27,276)        |
| 1.4 Securities outstanding                          | X                | (30,506)        | X                  | (30,506)         | (13,326)        |
| 2. Financial liabilities held for trading           | -                | -               | -                  | -                | -               |
| 3. Financial liabilities designated at fair value   | -                | -               | -                  | -                | -               |
| 4. Other liabilities and provisions                 | X                | X               | (1,652)            | (1,652)          | (315)           |
| 5. Hedging derivatives                              | X                | X               | -                  | -                | (4,822)         |
| 6. Financial assets                                 | X                | X               | X                  | (360)            | (5,366)         |
| <b>Total</b>                                        | <b>(217,749)</b> | <b>(30,506)</b> | <b>(1,652)</b>     | <b>(250,267)</b> | <b>(52,157)</b> |
| of which: interest expense on lease payables        | (1,141)          | X               | X                  | (1,141)          | (693)           |

In item "1.1 - Payables to central banks, interest expenses accrued on TLTRO III loans obtained from the Eurosystem are recognised at the effective interest rate according to the amortised cost method.

The changes in items "1.2 - Payables to banks", and "1.4 Securities outstanding are mainly attributable to the interest rate dynamics in 2023.

The change in item "1.3 - Payables to customers" in particular is influenced not only by the dynamics of interest rates, but also by the entry of new funding positions acquired following the acquisition of the two business units from the BPER Group in the so-called Lanternina Transaction, which therefore generated the accrual of further interest expenses.

Item "6. Financial assets" include interest expense on securities in the held-to-collect & sell portfolio in the amount of Euro 361 thousand (Euro 341 thousand in the previous year). The change compared to the

previous year is attributable to the zeroing of interest rates payable on the Bank of Italy reserve account linked to the reversal of interest rate trends in 2023 compared to previous periods.

#### 1.4 Interest and similar expense: other information

##### 1.4.1 Interest expense on liabilities in foreign currency

| Items                                                         | 31.12.2023 | 31.12.2022 |
|---------------------------------------------------------------|------------|------------|
| Interest expense on financial liabilities in foreign currency | (872)      | (236)      |

##### 1.4.2 Interest expense on financial lease transactions

Banco Desio has no finance lease contracts in place that generate interest expense.

#### 1.5 Differentials relating to hedging transactions

| Items                                                      | 31.12.2023   | 31.12.2022     |
|------------------------------------------------------------|--------------|----------------|
| A. Positive differentials relating to hedging transactions | 8,423        | 1,258          |
| B. Negative differentials relating to hedging transactions | -            | (6,080)        |
| <b>C. Balance (A-B)</b>                                    | <b>8,423</b> | <b>(4,822)</b> |

## Section 2 - Commissions - Items 40 and 50

### 2.1 Commission income: breakdown

| Type of services/Values                                                        | 31.12.2023     | 31.12.2022     |
|--------------------------------------------------------------------------------|----------------|----------------|
| a) Financial instruments                                                       | 19,683         | 18,167         |
| 1. Placement of securities                                                     | 3,415          | 2,695          |
| 1.1 On a firm and/or irrevocable commitment basis                              | -              | -              |
| 1.2 Without irrevocable commitment                                             | 3,415          | 2,695          |
| 2. Receiving and sending orders and execution of orders on behalf of customers | 5,682          | 4,952          |
| 2.1 Receiving and sending orders for one or more financial instruments         | 5,682          | 4,952          |
| 2.2 Execution of orders on behalf of customers                                 | -              | -              |
| 3. Other commissions related to activities linked to financial instruments     | 10,586         | 10,520         |
| of which: trading on own account                                               | -              | -              |
| of which: individual portfolio management                                      | 10,586         | 10,520         |
| b) Corporate Finance                                                           | -              | -              |
| 1. Mergers and acquisitions advisory services                                  | -              | -              |
| 2. Treasury services                                                           | -              | -              |
| 3. Other commissions related to corporate finance services                     | -              | -              |
| c) Investment advisory activities                                              | -              | -              |
| d) Compensation and settlement                                                 | -              | -              |
| e) Collective portfolio management                                             | -              | -              |
| f) Custody and administration                                                  | 1,966          | 1,734          |
| 1. Custodian bank                                                              | -              | -              |
| 2. Other commissions related to custody and administration activities          | 1,966          | 1,734          |
| g) Central administrative services for collective portfolio management         | -              | -              |
| h) Fiduciary business                                                          | -              | -              |
| i) Payment services                                                            | 115,171        | 103,786        |
| 1. Current accounts                                                            | 85,246         | 78,528         |
| 2. Credit cards                                                                | 2,779          | 2,430          |
| 3. Debit cards and other payment cards                                         | 6,238          | 4,928          |
| 4. Bank transfers and other payment orders                                     | 12,629         | 9,812          |
| 5. Other fees related to payment services                                      | 8,279          | 8,088          |
| j) Distribution of third-party services                                        | 62,330         | 57,985         |
| 1. Collective portfolio management                                             | 35,211         | 31,652         |
| 2. Insurance products                                                          | 26,092         | 25,981         |
| 3. Other products                                                              | 1,027          | 352            |
| of which: individual portfolio management                                      | 327            | 352            |
| k) Structured finance                                                          | -              | -              |
| l) Servicing activities for securitisation transactions                        | -              | 116            |
| m) Commitments to disburse funds                                               | -              | -              |
| n) Financial guarantees given                                                  | 2,495          | 2,348          |
| of which: credit derivatives                                                   | -              | -              |
| o) Financing transactions                                                      | 6,580          | 7,996          |
| of which: for factoring transactions                                           | 2,235          | 2,129          |
| p) Currency trading                                                            | 1,636          | 1,216          |
| q) Goods                                                                       | -              | -              |
| r) Other commission income                                                     | 9,664          | 8,393          |
| of which: for management of multilateral trading systems                       | -              | -              |
| of which: for management of organised trading systems                          | -              | -              |
| <b>Total</b>                                                                   | <b>219,525</b> | <b>201,741</b> |

The table is shown net of the amount of Euro 1,801 thousand related to the economic components referring to the business unit transferred to Worldline Italia, reclassified pursuant to IFRS 5 under the item "Profit/loss from discontinued operations after taxes". With reference to the year of comparison, again in accordance with IFRS 5, the value related to the same components reclassified in the item "Profit/Loss from discontinued operations after taxes" was Euro 9,543 thousand.

Commissions for "distribution of third-party services - other products" refer to consumer credit for Euro 4,043 thousand (Euro 3,653 thousand in the comparison period).

Commissions relating to "financing transactions" include not only commissions for factoring transactions, but also commissions income for salary-backed loans and loans with payment authority for Euro 4,345 thousand (Euro 5,663 thousand at the end of the previous year).

The item for "other commission income" includes fees for the internet banking service of Euro 2,141 thousand (Euro 1,956 thousand last year) and recovery of expenses on mortgage instalment collections of Euro 1,724 thousand (Euro 1,609 thousand last year), fees for the safe deposit box rental service of Euro 740 thousand (Euro 602 thousand last year), customer securities trading of Euro 1,114 thousand (Euro 1,013 thousand last year) and fees for business promotion contracts of Euro 1,649 thousand (Euro 1,920 thousand last year).

## 2.2 Commission expenses: breakdown

| Services/Values                                                       | 31.12.2023      | 31.12.2022      |
|-----------------------------------------------------------------------|-----------------|-----------------|
| a) Financial instruments                                              | (467)           | (295)           |
| of which: trading of financial instruments                            | (467)           | (292)           |
| of which: placement of financial instruments                          | -               | (2)             |
| of which: individual portfolio management                             | -               | -               |
| - Own                                                                 | -               | -               |
| - Delegated to third parties                                          | -               | -               |
| d) Compensation and settlement                                        | -               | -               |
| c) Collective portfolio management                                    | -               | -               |
| 1. Own                                                                | -               | -               |
| 2. Delegated to third parties                                         | -               | -               |
| d) Custody and administration                                         | (1,360)         | (1,143)         |
| e) Collection and payment services                                    | (2,179)         | (2,005)         |
| of which: credit cards, debit cards and other payment cards           | (658)           | (526)           |
| f) Servicing activities for securitisation transactions               | -               | -               |
| g) Commitments to receive funds                                       | -               | -               |
| h) Financial guarantees received                                      | (1,112)         | (642)           |
| of which: credit derivatives                                          | -               | -               |
| i) Off-premises offer of financial instruments, products and services | (17,657)        | (16,032)        |
| j) Currency trading                                                   | -               | -               |
| m) Other commission expenses                                          | (1,288)         | (867)           |
| <b>Total</b>                                                          | <b>(24,063)</b> | <b>(20,984)</b> |

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.

The item "Other commission expenses" includes commissions paid for introducing customers and providing loans to them in the amount of Euro 209 thousand (Euro 149 thousand last year).

## Section 3 - Dividends and similar income - Item 70

### 3.1 Dividends and similar income: breakdown

| Items/Income                                                                  | 31.12.2023 |                | 31.12.2022 |                |
|-------------------------------------------------------------------------------|------------|----------------|------------|----------------|
|                                                                               | Dividends  | Similar income | Dividends  | Similar income |
| A. Financial assets held for trading                                          | 147        | -              | 143        | -              |
| B. Other financial assets mandatorily measured at fair value                  | -          | -              | -          | -              |
| C. Financial assets measured at fair value through other comprehensive income | 453        | -              | 458        | -              |
| D. Investments                                                                | -          | -              | -          | -              |
| <b>Total</b>                                                                  | <b>600</b> | <b>-</b>       | <b>601</b> | <b>-</b>       |

The table shows dividends on investments classified as “*Financial assets measured at fair value through other comprehensive income*” and dividends on equity securities classified as “Financial assets held for trading”.



## Section 4 - Net trading result - Item 80

### 4.1 Net trading result: breakdown

| Transactions/Income components                                        | Gains<br>(A) | Trading gains<br>(B) | Losses<br>(C)  | Trading losses<br>(D) | Net result [(A+B)-<br>(C+D)] |
|-----------------------------------------------------------------------|--------------|----------------------|----------------|-----------------------|------------------------------|
| <b>1. Financial assets held for trading</b>                           | <b>133</b>   | <b>2,419</b>         | <b>(613)</b>   | <b>(283)</b>          | <b>1,656</b>                 |
| 1.1 Debt securities                                                   | 22           | 1,334                | -              | (158)                 | 1,198                        |
| 1.2 Equity securities                                                 | 111          | 910                  | (604)          | (125)                 | 292                          |
| 1.3 UCITS units                                                       | -            | 79                   | (9)            | -                     | 70                           |
| 1.4 Loans                                                             | -            | -                    | -              | -                     | -                            |
| 1.5 Other                                                             | -            | 96                   | -              | -                     | 96                           |
| <b>2. Financial liabilities held for trading</b>                      | <b>-</b>     | <b>-</b>             | <b>-</b>       | <b>-</b>              | <b>-</b>                     |
| 2.1 Debt securities                                                   | -            | -                    | -              | -                     | -                            |
| 2.2 Payables                                                          | -            | -                    | -              | -                     | -                            |
| 2.3 Other                                                             | -            | -                    | -              | -                     | -                            |
| <b>3. Financial assets and liabilities: exchange rate differences</b> | <b>X</b>     | <b>X</b>             | <b>X</b>       | <b>X</b>              | <b>3,231</b>                 |
| <b>4. Derivative instruments</b>                                      | <b>3,255</b> | <b>12,849</b>        | <b>(2,174)</b> | <b>(14,448)</b>       | <b>(490)</b>                 |
| 4.1 Financial derivatives:                                            | 3,255        | 12,849               | (2,174)        | (14,448)              | (490)                        |
| - On debt securities and interest rates                               | 3,236        | 6,021                | (2,174)        | (6,892)               | 191                          |
| - On equity securities and stock indices                              | 19           | 6,828                | -              | (7,556)               | (709)                        |
| - On currencies and gold                                              | X            | X                    | X              | X                     | 28                           |
| - Other                                                               | -            | -                    | -              | -                     | -                            |
| 4.2 Credit derivatives                                                | -            | -                    | -              | -                     | -                            |
| of which: natural hedges related to the fair value option             | X            | X                    | X              | X                     | -                            |
| <b>Total</b>                                                          | <b>3,388</b> | <b>15,268</b>        | <b>(2,787)</b> | <b>(14,731)</b>       | <b>4,397</b>                 |

Item "1. Financial assets held for trading" and "4. Derivative instruments" shows the economic result attributable to financial assets held for trading.

Item "3 Financial assets and liabilities: exchange rate differences" shows the positive (or negative) balance of changes in the value of financial assets and liabilities denominated in foreign currencies, other than those held for trading purposes.

Item "4. Derivative Instruments" includes the effects of derivatives subscribed by customers with the related "mirror" derivatives subscribed by the Bank and the effect of discontinuing derivatives (in previous years) originally classified as hedging derivatives; it is noted that the derivatives subject to discontinuing during 2023 have been closed.

## Section 5 - Net hedging result - Item 90

### 5.1 Net hedging result: breakdown

| Income components/Values                         | 31.12.2023      | 31.12.2022      |
|--------------------------------------------------|-----------------|-----------------|
| <b>A. Income related to:</b>                     |                 |                 |
| A.1 Fair value hedging derivatives               | 14,415          | 60,156          |
| A.2 Hedged financial assets (fair value)         | 46,485          | -               |
| A.3 Hedged financial liabilities (fair value)    | -               | -               |
| A.4 Cash flow hedging financial derivatives      | -               | -               |
| A.5 Assets and liabilities in foreign currencies | -               | -               |
| <b>Total hedging income (A)</b>                  | <b>60,900</b>   | <b>60,156</b>   |
| <b>B. Expenses related to:</b>                   |                 |                 |
| B.1 Fair value hedging derivatives               | (56,625)        | -               |
| B.2 Hedged financial assets (fair value)         | -               | (60,645)        |
| B.3 Hedged financial liabilities (fair value)    | -               | -               |
| B.4 Cash flow hedging financial derivatives      | -               | (3)             |
| B.5 Assets and liabilities in foreign currencies | -               | -               |
| <b>Total hedging expenses (B)</b>                | <b>(56,625)</b> | <b>(60,648)</b> |
| <b>C. Net hedging result (A - B)</b>             | <b>4,275</b>    | <b>(492)</b>    |
| 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.

The item "A.2 Hedged financial assets (fair value)" reflects the positive effect of hedging on this item in contrast to its (negative) result in the comparison period.

## Section 6 - Gains (Losses) on sale/repurchase - Item 100

### 6.1 Gains (Losses) on sale/repurchase: breakdown

| Items/Income components                                                       | 31.12.2023   |                 |                | 31.12.2022    |                 |                |
|-------------------------------------------------------------------------------|--------------|-----------------|----------------|---------------|-----------------|----------------|
|                                                                               | Profits      | Losses          | Net result     | Profits       | Losses          | Net result     |
| <b>Financial assets</b>                                                       |              |                 |                |               |                 |                |
| 1. Financial assets measured at amortised cost                                | 7,080        | (15,268)        | (8,188)        | 13,790        | (18,020)        | (4,230)        |
| 1.1 Loans with banks                                                          | 179          | -               | 179            | 375           | -               | 375            |
| 1.2 Loans to customers                                                        | 6,901        | (15,268)        | (8,367)        | 13,415        | (18,020)        | (4,605)        |
| 2. Financial assets measured at fair value through other comprehensive income | 2,580        | (560)           | 2,020          | 692           | (97)            | 595            |
| 2.1 Debt securities                                                           | 2,580        | (560)           | 2,020          | 692           | (97)            | 595            |
| 2.2 Loans                                                                     | -            | -               | -              | -             | -               | -              |
| <b>Total assets</b>                                                           | <b>9,660</b> | <b>(15,828)</b> | <b>(6,168)</b> | <b>14,482</b> | <b>(18,117)</b> | <b>(3,635)</b> |
| <b>Financial liabilities measured at amortised cost</b>                       | -            | -               | -              | -             | -               | -              |
| 1. Payables to banks                                                          | -            | -               | -              | -             | -               | -              |
| 2. Payables to customers                                                      | -            | -               | -              | -             | -               | -              |
| 3. Securities issued                                                          | 544          | -               | 544            | 18            | -               | 18             |
| <b>Total liabilities</b>                                                      | <b>544</b>   | <b>-</b>        | <b>544</b>     | <b>18</b>     | <b>-</b>        | <b>18</b>      |

This item includes the economic result from the sale of financial assets not included among those held for trading and among those measured at fair value through profit or loss, as well as the result from the repurchase of own securities.

Item "1.2 Loans to customers" also includes the results of the sale of non-performing loans.

Item "2. Financial assets measured at fair value through other comprehensive income" represents the economic effect of sales during the year, including the release of the related valuation reserves before the tax effect.

With reference to financial liabilities, under item "3. Securities issued" shows the result of gains/losses from the repurchase of own bonds.

## Section 7 - Result of financial assets and liabilities measured at fair value through profit or loss - Item 110

### 7.2 Net change in value of other financial assets and liabilities measured at fair value through profit or loss: breakdown of other financial assets mandatorily measured at fair value

| Transactions/Income components                            | Gains<br>(A) | Realised gains<br>(B) | Losses<br>(C)  | Realised losses<br>(D) | Net result [(A+B) -<br>(C+D)] |
|-----------------------------------------------------------|--------------|-----------------------|----------------|------------------------|-------------------------------|
| <b>1. Financial assets</b>                                | <b>1,754</b> | <b>14</b>             | <b>(9,605)</b> | <b>-</b>               | <b>(7,837)</b>                |
| 1.1 Debt securities                                       | 5            | -                     | (636)          | -                      | (631)                         |
| 1.2 Equity securities                                     | -            | -                     | (422)          | -                      | (422)                         |
| 1.3 UCITS units                                           | 1,749        | 14                    | (8,547)        | -                      | (6,784)                       |
| 1.4 Loans                                                 | -            | -                     | -              | -                      | -                             |
| <b>2. Financial assets: exchange rate<br/>differences</b> | <b>X</b>     | <b>X</b>              | <b>X</b>       | <b>X</b>               | <b>-</b>                      |
| <b>Total</b>                                              | <b>1,754</b> | <b>14</b>             | <b>(9,605)</b> | <b>-</b>               | <b>(7,837)</b>                |

This item consists of the result of financial instruments that are mandatorily measured at fair value through profit or loss, even if not held for trading, due to the failure to pass the SPPI (Solely payments of principal and interests) test required by IFRS 9 Financial Instruments. This item consists mainly of UCITS that by their nature do not have characteristics compatible with passing the test.

## Section 8 - Net value adjustments/reversals for credit risk - Item 130

### 8.1 Net value adjustments for credit risk related to financial assets measured at amortised cost: breakdown

| Transactions/Income components | Value adjustments (1) |              |             |          |                                  |       | Reversals (2) |              |             |                                  | 31.12.2023 | 31.12.2022 |
|--------------------------------|-----------------------|--------------|-------------|----------|----------------------------------|-------|---------------|--------------|-------------|----------------------------------|------------|------------|
|                                | 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            | (108)                 | -            | -           | -        | -                                | -     | -             | -            | -           | -                                | (108)      | (785)      |
| - Loans                        | (96)                  | -            | -           | -        | -                                | -     | -             | -            | -           | -                                | (96)       | (98)       |
| - Debt securities              | (12)                  | -            | -           | -        | -                                | -     | -             | -            | -           | -                                | (12)       | (687)      |
| B. Loans to customers          | (4,184)               | (6,412)      | (689)       | (67,617) | -                                | -     | 459           | 32           | 19,905      | -                                | (58,506)   | (41,974)   |
| - Loans                        | (2,275)               | (3,953)      | (689)       | (67,617) | -                                | -     | 459           | 32           | 19,905      | -                                | (54,138)   | (39,847)   |
| - Debt securities              | (1,909)               | (2,459)      | -           | -        | -                                | -     | -             | -            | -           | -                                | (4,368)    | (2,127)    |
| Total                          | (4,292)               | (6,412)      | (689)       | (67,617) | -                                | -     | 459           | 32           | 19,905      | -                                | (58,614)   | (42,759)   |

This item includes value adjustments and reversals recorded for the credit risk of assets measured at amortised cost (portfolio loans with banks and to customers including debt securities).

With reference to "Value adjustments", the figure in the "Write-offs" column records losses on the definitive derecognition of loans classified as bad loans.

The "Value Adjustments - Third Stage", determined by the analytical assessment of the probability of recovery on non-performing loans and the discounting of expected cash flows, refer to:

- bad loans of Euro 23,984 thousand (formerly Euro 25,279 thousand);
- unlikely to pay of Euro 41,359 thousand (formerly Euro 31,348 thousand);
- past-due exposures of Euro 2,274 thousand (formerly Euro 674 thousand).

Reversals "first and second stages" are determined on the amount of the performing loan portfolio.

"Specific reversals (third stage)" refer to:

- bad loans amortised in previous years and with actual recoveries higher than expected for Euro 433 thousand (formerly Euro 164 thousand);
- collections of loans previously written-down for Euro 12,052 thousand (formerly Euro 8,917 thousand);
- valuation reversals for Euro 7,420 thousand (formerly Euro 7,644 thousand).

Value adjustments on loans and debt securities result from the application of the models for determining the expected credit loss adopted by the Group.

With regard to the determination of credit losses, in addition to what has already been set forth in the paragraph "Risks, uncertainties and impacts deriving from war conflicts, from the residual effects of the Covid-19 epidemic, from climate risk and from the macroeconomic context" in the previous "Section 5 - Other aspects" contained in "A.1 General part" of "Part A - Accounting policies" above, please refer to what has been set forth in the paragraph "Methods for measuring expected losses" contained in "Part E - Information on risks and related hedging policies" of these Notes.

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

| Transactions/Income components | Value adjustments (1) |              |             |       |                                  |       | Reversals (2) |              |             |                                  | 31.12.2023 | 31.12.2022 |
|--------------------------------|-----------------------|--------------|-------------|-------|----------------------------------|-------|---------------|--------------|-------------|----------------------------------|------------|------------|
|                                | 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             | (94)                  | -            | -           | -     | -                                | -     | 85            | -            | -           | -                                | (9)        | (160)      |
| B. Loans                       | -                     | -            | -           | -     | -                                | -     | -             | -            | -           | -                                | -          | -          |
| – To customers                 | -                     | -            | -           | -     | -                                | -     | -             | -            | -           | -                                | -          | -          |
| – With banks                   | -                     | -            | -           | -     | -                                | -     | -             | -            | -           | -                                | -          | -          |
| Total                          | (94)                  | -            | -           | -     | -                                | -     | 85            | -            | -           | -                                | (9)        | (160)      |

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

## Section 9 – Gains/(losses) from contractual amendments without derecognition – Item 140

### 9.1 Gains (losses) from contractual amendments: breakdown

This item includes the adjustment made to the carrying amounts of loans to customers that undergo changes in contractual cash flows without giving rise to derecognition in accordance with paragraph 5.4.3 and Appendix A of IFRS9.

## Section 12 - Administrative expenses - Item 190

### 12.1 Personnel expenses: breakdown

| Type of expenses/Values                                                         | 31.12.2023       | 31.12.2022       |
|---------------------------------------------------------------------------------|------------------|------------------|
| 1) Employees                                                                    | (200,163)        | (172,013)        |
| a) wages and salaries                                                           | (129,240)        | (114,930)        |
| b) social security contributions                                                | (34,704)         | (30,144)         |
| c) employee severance indemnity                                                 | -                | -                |
| d) social security expenses                                                     | -                | -                |
| e) provision for employee severance indemnity                                   | (750)            | (411)            |
| f) allocations to the provision for severance benefits and similar obligations: | -                | -                |
| - defined contribution                                                          | -                | -                |
| - defined benefits                                                              | -                | -                |
| g) contributions to external supplementary pension funds:                       | (12,838)         | (10,430)         |
| - defined contribution                                                          | (12,838)         | (10,430)         |
| - defined benefits                                                              | -                | -                |
| h) costs deriving from payment agreements based on own equity instruments       | -                | -                |
| i) other employee benefits                                                      | (22,631)         | (16,098)         |
| 2) Other personnel in activity                                                  | (2,255)          | (1,082)          |
| 3) Directors and Statutory Auditors                                             | (3,176)          | (2,947)          |
| 4) Retired personnel                                                            | -                | -                |
| <b>Total</b>                                                                    | <b>(205,594)</b> | <b>(176,042)</b> |

The balance at 31 December 2023 of the item Personnel expenses, compared to the comparative period, was influenced by the entry of new personnel following the acquisition of the two BU from the BPER Group in the so-called Lanternina Transaction, as well as the adjustments provided for in the renewal of the national contract for banking workers at the end of the year.

Item "1.g - contributions to external supplementary pension funds: defined contribution" includes the portion of employee severance indemnity paid to the Treasury Fund and supplementary pension funds.

Details of item "1.i - other employee benefits" are provided in Table 12.4 below.

## 12.2 Average number of employees by category

|                           | 31.12.2023   | 31.12.2022   |
|---------------------------|--------------|--------------|
| <b>1) Employees</b>       | <b>2,399</b> | <b>2,127</b> |
| a) managers               | 28           | 29           |
| b) middle managers        | 1,147        | 1,027        |
| c) remaining employees    | 1,224        | 1,071        |
| <b>2) Other personnel</b> | <b>52</b>    | <b>12</b>    |

## 12.3 Defined-benefit company pension funds: costs and revenues

Not present at the reporting date.

## 12.4 Other employee benefits

|                                         | 31.12.2023      | 31.12.2022      |
|-----------------------------------------|-----------------|-----------------|
| Appropriation for miscellaneous charges | (14,986)        | (11,083)        |
| Assistance fund contribution            | (2,630)         | (2,293)         |
| Education and training expenses         | (1,100)         | (645)           |
| Building fees for employee use          | (83)            | (77)            |
| Exit incentives                         | (6)             | (305)           |
| Other                                   | (3,826)         | (1,695)         |
| <b>Total</b>                            | <b>(22,631)</b> | <b>(16,098)</b> |

The item "Appropriation for miscellaneous charges" mainly includes the allocation to the employee bonus scheme, including the expected charge of about Euro 2.1 million for the "2023 Phantom shares" plan and the negative adjustment of Euro 0.3 million for the "2022 Phantom shares" plan (in the comparative period for the "2022 Phantom shares" plan, an expected charge of Euro 2.0 million had been recognised).

Among the main components of the item "Others", we note mainly the charges relating to the provision of staff catering services (ticket restaurant) for Euro 2,527 thousand (formerly Euro 2,190 thousand) and those relating to insurance premiums for Euro 254 thousand (formerly Euro 271 thousand); the comparison period benefited from a release of Euro 834 thousand relating to provisions for holidays (provision of Euro 149 thousand).



## 12.5 Other administrative expenses: breakdown

|                                                | 31.12.2023       | 31.12.2022       |
|------------------------------------------------|------------------|------------------|
| Indirect taxes and duties:                     |                  |                  |
| -Stamp duties                                  | (32,111)         | (26,493)         |
| -Other                                         | (4,093)          | (5,036)          |
| Other expenses:                                |                  |                  |
| -IT expenses                                   | (25,913)         | (21,377)         |
| -Lease of buildings/assets                     | (2,373)          | (2,015)          |
| -Property, furniture and equipment maintenance | (9,259)          | (8,749)          |
| -Postal and telegraph                          | (1,313)          | (1,208)          |
| -Telephony and data transmission               | (5,539)          | (5,015)          |
| -Electricity, heating, water                   | (7,291)          | (6,241)          |
| -Cleaning services                             | (2,503)          | (2,993)          |
| -Printers, stationery and cons.                | (717)            | (421)            |
| -Transport costs                               | (1,343)          | (1,127)          |
| -Travel expenses                               | (2,596)          | (1,009)          |
| -Surveillance and security                     | (1,651)          | (1,427)          |
| -Advertising                                   | (1,590)          | (1,581)          |
| -Information and records                       | (2,579)          | (1,998)          |
| -Insurance premiums                            | (1,441)          | (1,474)          |
| -Legal fees                                    | (3,052)          | (2,941)          |
| -Professional consultancy fees                 | (14,043)         | (13,427)         |
| -Various contributions and donations           | (244)            | (254)            |
| -Miscellaneous expenses                        | (26,565)         | (25,311)         |
| <b>Total</b>                                   | <b>(146,216)</b> | <b>(130,097)</b> |

The item "IT expenses" includes the expenses relating to the maintenance of the Group's IT systems and, compared to the comparative period, increased due to the costs incurred during the year for the IT migration made necessary following the acquisition of the two business units from the BPER Group in the so-called Lanternina Transaction.

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 "Professional consultancy fees" includes fees paid to lawyers and consulting firms that supported the Group in the "Lanternina project" during 2023 amounting to Euro 3.3 million.

Also included are fees paid to the network to which the auditing firm KPMG S.p.A. belongs for services rendered to the Group, as summarised below according to the different types of services rendered.

| Type of services                       | Service provider     | Recipient                             | Fees (Euro thousands) |
|----------------------------------------|----------------------|---------------------------------------|-----------------------|
| Audit                                  | KPMG S.p.A.          | Banco di Desio e della Brianza S.p.A. | 505.1                 |
|                                        |                      | Fides S.p.A.                          | 38.0                  |
|                                        |                      | Desio OBG S.r.l.                      | 17.1                  |
| Certification services                 | KPMG S.p.A.          | Banco di Desio e della Brianza S.p.A. | 156.9                 |
|                                        | KPMG S.p.A.          | Fides S.p.A.                          | 24.1                  |
| Other services:                        |                      |                                       |                       |
| Risk Management methodological support | KPMG Advisory S.p.A. | Banco di Desio e della Brianza S.p.A. | 250.0                 |
| <b>Total</b>                           |                      |                                       | <b>991.2</b>          |

The fees shown are net of expenses, the CONSOB contribution (where due) and VAT.

The item "Miscellaneous expenses" includes contributions paid during the year to the National Resolution Fund and the Deposit Guarantee Scheme totalling Euro 18,090 thousand (formerly Euro 18,119 thousand), of which:

- Euro 6,798 thousand referred to the ordinary contribution to the Resolution Fund (SRM) for the year (formerly Euro 7,263 thousand).
- Euro 11,292 thousand (formerly Euro 10,856 thousand) referred to the contribution to the Deposit Guarantee Scheme (DGS), of which Euro 4,145 thousand as additional contribution.

Also included under the item "Miscellaneous expenses" costs for membership contributions of Euro 1,441 thousand (formerly Euro 1,142 thousand) and charges related to agreements, within the framework of the disbursement of personal and salary-backed loans, with third-party administrations (ATC) for Euro 631 thousand (formerly Euro 563 thousand).

## Section 13 – Net allocations to provisions for risks and charges – Item 200

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

|                                  | Allocations     | Uses         | 31.12.2023     | 31.12.2022     |
|----------------------------------|-----------------|--------------|----------------|----------------|
| Commitments for guarantees given | (1,163)         | 863          | (300)          | 453            |
| Charges for legal disputes       | (10,081)        | 3,660        | (6,421)        | (4,684)        |
| Other                            | (3,586)         | 1,887        | (1,699)        | (3,195)        |
| <b>Total</b>                     | <b>(14,830)</b> | <b>6,410</b> | <b>(8,420)</b> | <b>(7,426)</b> |

The item commitments for guarantees given represents the net allocation to the provision for risks determined by applying the expected loss calculation models defined in application of the accounting standard "IFRS9 Financial Instruments".

The item charges for legal disputes includes allocations set up during the year to cover expected losses in connection with lawsuits and bankruptcy revocatory actions.

Other allocations include allocations to cover other operational risks.

## Section 14 - Net value adjustments/reversals on tangible assets - Item 210

### 14.1. Net value adjustments on tangible assets: breakdown

| Assets/Income component                 | Depreciation    | Impairment | Reversals | Net result      |
|-----------------------------------------|-----------------|------------|-----------|-----------------|
|                                         | (a)             | (b)        | (c)       | (a + b - c)     |
| A. Tangible assets                      |                 |            |           |                 |
| 1 For functional use                    | (17,946)        | -          | -         | (17,946)        |
| - Owned                                 | (7,207)         | -          | -         | (7,207)         |
| - Rights of use acquired through leases | (10,739)        | -          | -         | (10,739)        |
| 2 Held for investment purposes          | (52)            | -          | -         | (52)            |
| - Owned                                 | (52)            | -          | -         | (52)            |
| - Rights of use acquired through leases | -               | -          | -         | -               |
| 3 Inventories                           | X               | -          | -         | -               |
| <b>Total</b>                            | <b>(17,998)</b> | <b>-</b>   | <b>-</b>  | <b>(17,998)</b> |

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

The item "Rights of use acquired through leases" includes the depreciation of assets consisting of the right of use that is the subject of the lease agreements (so-called "Right of Use Asset" or "RoU Asset") recognised in accordance with IFRS16 "Leases" and calculated as the sum of the lease liability, initial direct costs, payments made on or before the effective date of the agreement (net of any lease incentives received) and decommissioning and/or restoration costs.

Details, by asset category, of the impact on the income statement of adjustments on tangible assets are shown under item "C.2 Depreciation" in table "9.6 Tangible assets for functional use: Changes in the year" and table "9.7 Tangible assets held for investment purposes: Changes in the year" in Section 9 of Part B.

## Section 15 - Net value adjustments/reversals on intangible assets - Item 220

### 15.1 Net value adjustments on intangible assets: breakdown

| Assets/Income component                   | Amortisation<br>(a) | Impairment<br>(b) | Reversals<br>(c) | Net result<br>(a + b - c) |
|-------------------------------------------|---------------------|-------------------|------------------|---------------------------|
| A. Intangible assets                      |                     |                   |                  |                           |
| of which: software                        | (2,698)             | -                 | -                | (2,698)                   |
| A.1 Owned                                 | (4,044)             | -                 | -                | (4,044)                   |
| - Generated internally by the company     | -                   | -                 | -                | -                         |
| - Other                                   | (4,044)             | -                 | -                | (4,044)                   |
| A.2 Rights of use acquired through leases | -                   | -                 | -                | -                         |
| B. Assets held for sale                   | X                   | -                 | -                | -                         |
| <b>Total</b>                              | <b>(4,044)</b>      | <b>-</b>          | <b>-</b>         | <b>(4,044)</b>            |

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

The item "Other" includes the amortisation of intangible assets relating to customer relationships recognised following the PPA process for the acquisition of the two business units from the BPER Group in the so-called Lanternina Transaction.

## Section 16 - Other operating income and expenses - Item 230

### 16.1 Other operating expenses: breakdown

|                                          | 31.12.2023      | 31.12.2022     |
|------------------------------------------|-----------------|----------------|
| Amortisations for leasehold improvements | (1,228)         | (1,416)        |
| Losses on realisation of tangible assets | (15)            | (34)           |
| Charges on non-banking services          | (20,349)        | (3,552)        |
| <b>Total</b>                             | <b>(21,592)</b> | <b>(5,002)</b> |

The item "Charges on non-banking services" includes Euro 18,632 thousand for the impact of the additional prudential provision related to the assessment of the potential risk to which Banco Desio could be exposed as a result of the preventive seizure of Ecobonus/Sismabonus tax credits acquired over time and subject to preventive seizure.

## 16.2 Other operating income: breakdown

|                                                      | 31.12.2023     | 31.12.2022    |
|------------------------------------------------------|----------------|---------------|
| Recovery of taxes from third parties                 | 33,054         | 28,684        |
| Recovery of charges on current accounts and deposits | 2,054          | 2,234         |
| Rent and fees receivable                             | 55             | 43            |
| Other expense recoveries                             | 2,207          | 1,914         |
| Profits on realisation of tangible assets            | 1              | 104           |
| Other                                                | 67,490         | 633           |
| <b>Total</b>                                         | <b>104,861</b> | <b>33,612</b> |

The item "Recovery of taxes from third parties" mainly includes recoveries of stamp duty on current accounts, deposit accounts and other customer investments totalling Euro 31,277 thousand (formerly Euro 25,798 thousand) and recoveries of substitute tax totalling Euro 1,793 thousand (formerly Euro 2,889 thousand).

The item "Recovery of charges on current accounts and deposits" includes recoveries for fast processing fees of Euro 876 thousand (formerly Euro 935 thousand) and other recoveries for miscellaneous customer communications for Euro 990 thousand (formerly Euro 990 thousand).

The item "Other expense recoveries" includes, in particular, legal expenses on bad loans in the amount of Euro 789 thousand (formerly Euro 713 thousand), recoveries related to sundry loan investigation expenses in the amount of Euro 711 thousand (formerly Euro 464 thousand), and recovery of sundry expenses on lease files in the amount of Euro 336 thousand (formerly Euro 281 thousand).

The item "Other" mainly includes the recognition of gross badwill in the amount of Euro 66,096 million resulting from the definitive purchase price allocation (PPA) process following the acquisition from the BPER Group of business units in the so-called "Lanternina Transaction" finalised in February 2023

## Section 17 - Gains (losses) on investments - Item 250

### 17.1 Gains (losses) on investments: breakdown

| Income component/Values                         | 31.12.2023 | 31.12.2022  |
|-------------------------------------------------|------------|-------------|
| <b>1) Joint ventures</b>                        |            |             |
| 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                               |            |             |
| <b>Net Result</b>                               |            |             |
| <b>2) Companies under significant influence</b> |            |             |
| A. Income                                       | <b>192</b> |             |
| 1. Revaluations                                 | 192        |             |
| 2. Gains on sale                                |            |             |
| 3. Reversals                                    |            |             |
| 4. Other income                                 |            |             |
| B. Expenses                                     |            | <b>(16)</b> |
| 1. Write-downs                                  |            | (16)        |
| 2. Impairment                                   |            |             |
| 3. Losses on sale                               |            |             |
| 4. Other expenses                               |            |             |
| <b>Net Result</b>                               | <b>192</b> | <b>(16)</b> |
| <b>Total</b>                                    | <b>192</b> | <b>(16)</b> |

The items "2) A.1 Revaluations" and "2) B.1 Write-downs" show the result of the attribution of the result for the period of the associate Anthilia Capital Partners SGR S.p.A. against the valuation of the investment with the equity method.

## Section 18 - Net result of fair value measurement of tangible and intangible assets - Item 260

18.1 Net result of the valuation at fair value (or revalued amount) or at the estimated realisable value of tangible and intangible assets: breakdown

| Assets/Income component                   | Revaluations<br>(a) | Write-downs<br>(b) | Exchange rate differences |                 | Net result<br>(a-b+c-d) |
|-------------------------------------------|---------------------|--------------------|---------------------------|-----------------|-------------------------|
|                                           |                     |                    | Positive<br>(c)           | Negative<br>(d) |                         |
| <b>A. Tangible assets</b>                 | -                   | <b>(160)</b>       | -                         | -               | <b>(160)</b>            |
| A.1 For functional use:                   | -                   | (160)              | -                         | -               | (160)                   |
| - Owned                                   | -                   | (160)              | -                         | -               | (160)                   |
| - Rights of use acquired through leases   | -                   | -                  | -                         | -               | -                       |
| A.3 Inventories                           | -                   | -                  | -                         | -               | -                       |
| A.2 Held for investment purposes:         | -                   | -                  | -                         | -               | -                       |
| - Owned                                   | -                   | -                  | -                         | -               | -                       |
| - Rights of use acquired through leases   | -                   | -                  | -                         | -               | -                       |
| <b>B. Intangible assets</b>               | -                   | -                  | -                         | -               | -                       |
| B.1 Owned:                                | -                   | -                  | -                         | -               | -                       |
| B.1.1 Generated internally by the company | -                   | -                  | -                         | -               | -                       |
| B.1.2 Other                               | -                   | -                  | -                         | -               | -                       |
| B.2 Rights of use acquired through leases | -                   | -                  | -                         | -               | -                       |
| <b>Total</b>                              | -                   | <b>(160)</b>       | -                         | -               | <b>(160)</b>            |

The item includes the negative change related to the category of works of art as a result of the updated valuation of valuable artistic assets (governed by IAS 16 "Property, Plant and Equipment").

## Section 19 - Value adjustments on goodwill - Item 270

The results of the impairment tests on goodwill recognised in the financial statements did not lead to the recognition of any value adjustments.

With regard to the methodology adopted to perform the tests, please refer to the comment in "Section 10 - Intangible assets" of the Balance Sheet Assets.

## Section 20 - Gains/Losses on disposal of investments - Item 280

### 20.1 Gains (losses) on disposal of investments: breakdown

| Income component/Sectors | 31.12.2023 | 31.12.2022  |
|--------------------------|------------|-------------|
| A. Properties            | -          | (54)        |
| - Gains on sale          | -          | -           |
| - Losses on sale         | -          | (54)        |
| B. Other assets          | -          | -           |
| - Gains on sale          | -          | -           |
| - Losses on sale         | -          | -           |
| <b>Net result</b>        | <b>-</b>   | <b>(54)</b> |

In the comparison period, the item included the balance of Euro 54 thousand referring to the losses deriving from the sale of properties for investment purpose by the Parent Company Banco Desio.

## Section 21 - Income taxes for the year on current operations - Item 300

### 21.1 Income taxes for the year on current operations: breakdown

| Income components/Sectors                                                                     | 31.12.2023      | 31.12.2022      |
|-----------------------------------------------------------------------------------------------|-----------------|-----------------|
| 1. Current taxes (-)                                                                          | (34,580)        | (21,406)        |
| 2. Changes in current taxes of previous years (+/-)                                           | 62              | 1,466           |
| 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 (+/-)                                                        | (27,747)        | (15,245)        |
| 5. Change in deferred tax liabilities (+/-)                                                   | 398             | (113)           |
| <b>6. Taxes for the year (-) (-1+/-2+3+3bis+/-4+/-5)</b>                                      | <b>(61,867)</b> | <b>(35,298)</b> |

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

Please note that the balance of item "2. Changes in current taxes from previous years" of the comparison period refers to the positive outcome of the refund request presented to the Revenue Agency in relation to IRAP, tax year 2014, with reference to the business unit transferred by the Parent Company to the former subsidiary Banca Popolare di Spoleto.

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 and supplemented.



## 21.2 Reconciliation of theoretical tax charge and actual tax charge in the financial statements

|                                                                                   | IRES      |                 | IRAP      |                 |
|-----------------------------------------------------------------------------------|-----------|-----------------|-----------|-----------------|
| Pre-tax result                                                                    | 310,440   |                 | 310,440   |                 |
| Costs not deductible for IRAP                                                     |           |                 | 56,358    |                 |
| Revenues not taxable for IRAP                                                     |           |                 | (171,178) |                 |
| Sub Total                                                                         | 310,440   |                 | 195,620   |                 |
| <b>Theoretical tax expense</b><br><b>24% Ires - 3.5% Ires surtax - 5.57% Irap</b> |           | <b>(85,370)</b> |           | <b>(10,896)</b> |
| Temporary differences taxable in subsequent years                                 | (21,185)  |                 | (21,185)  |                 |
| Temporary differences deductible in subsequent years                              | 63,392    |                 | 23,560    |                 |
| Reversal of temporary differences from previous years                             | (145,724) |                 | (96,659)  |                 |
| Differences that will not be reversed in subsequent years                         | (98,933)  |                 | 19,382    |                 |
| Taxable amount                                                                    | 107,990   |                 | 120,718   |                 |
| <b>Current taxes for the year 24% Ires - 3.5% Ires surtax - 5.57% Irap</b>        |           | <b>(29,698)</b> |           | <b>(6,724)</b>  |

The total of "Current taxes for the year" in this table, equal to Euro 36,422 thousand, corresponds to the sum of what is indicated under item "1. Current taxes" in Table 21.1 and under item "5. Taxes and duties" in Table 22.1.

The difference between the theoretical tax burden and current taxes is mainly due to:

- with reference only to Ires (corporate income tax) and the relative surtax, to the application of the so-called Pex regime (as per Article 87 of Tuir) with the consequent detaxation to the extent of 95% of the tax gain realised by the Parent Company on the sale to Worldline of the business unit related to the acquiring activity (so-called Aquarius Transaction);
- the recovery of write-downs on receivables from previous years, pursuant to Article 16, paragraph 4 of Decree Law No. 83 of 27 June 2015, as amended and supplemented;
- the deduction of the annual 10% share, pursuant to paragraphs 1067 and 1068 of Article 1 of Law No. 145/2018, of the income components arising from the adoption of the model for recognising expected losses on loans to customers, recognised on the first-time application of IFRS 9.

## Section 22 - Profit/Loss from discontinued operations after taxes - Item 320

### 22.1 Profit (loss) from discontinued operations after taxes: breakdown

| Income components/Sectors                                           | 31.12.2023    | 31.12.2022   |
|---------------------------------------------------------------------|---------------|--------------|
| 1. Income                                                           | 1,801         | 9,543        |
| 2. Expenses                                                         | (1,947)       | (71)         |
| 3. Result of valuations of groups of assets and related liabilities | -             | -            |
| 4. Realised gains (losses)                                          | 100,012       | -            |
| 5. Taxes and duties                                                 | (1,841)       | (2,605)      |
| <b>Profit (loss)</b>                                                | <b>98,025</b> | <b>6,867</b> |

This item includes gains/losses arising from the sale to Worldline Italia of the merchant acquiring business unit that took place in March 2023; in particular, income is entirely attributable to commission income and expenses substantially refer to costs incurred for professional fees in connection with the transaction. The values recorded in the comparison period referred to the same line of business, showing in income the values of commission income, and in expenses the values of personnel costs reclassified from the relevant items.

### 22.2 Details of income taxes on discontinued operations

| Income components/Sectors                        | 31.12.2023     | 31.12.2022     |
|--------------------------------------------------|----------------|----------------|
| 1. Current taxation (-)                          | (1,841)        | (2,605)        |
| 2. Changes in deferred tax assets (+/-)          |                |                |
| 3. Change in deferred tax liabilities (-/+)      |                |                |
| <b>4. Income tax for the year (-1 +/-2 +/-3)</b> | <b>(1,841)</b> | <b>(2,605)</b> |

## Section 25 - Earnings per share

|                                                                              | 31.12.2023      |                | 31.12.2022      |                |
|------------------------------------------------------------------------------|-----------------|----------------|-----------------|----------------|
|                                                                              | Ordinary shares | Savings shares | Ordinary shares | Savings shares |
| Group net profit attributable to the different share classes (Euro thousand) | 240,361         | -              | 81,463          | -              |
| 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     | -              |
| <b>Earnings per share (Euro)</b>                                             | <b>1.79</b>     | -              | <b>0.61</b>     | -              |
| <b>Diluted earnings per share (Euro)</b>                                     | <b>1.79</b>     | -              | <b>0.61</b>     | -              |

**25.1 Average number of diluted capital ordinary shares**

During the year, no capital transactions were performed and no financial instruments were issued that could result in the issue of shares. The average number of shares used to calculate the diluted earnings per share is therefore 134,363,049 ordinary shares with no nominal value.

**25.2 Other information**

No further information.

## PART D - CONSOLIDATED COMPREHENSIVE INCOME

### ANALYTICAL STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME

| Items                                                            |                                                                                                            | 31.12.2023 | 31.12.2022 |
|------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------|------------|------------|
| 10.                                                              | Profit (Loss) for the year                                                                                 | 240,361    | 81,463     |
| Other income components without reversal to the income statement |                                                                                                            |            |            |
| 20.                                                              | Equity securities measured at fair value through other comprehensive income:                               | (1,148)    | 1,479      |
|                                                                  | a) change in fair value                                                                                    | (1,148)    | 1,479      |
|                                                                  | b) reclassified to other components of equity                                                              |            |            |
| 50.                                                              | Tangible assets                                                                                            | (41)       |            |
| 70.                                                              | Defined benefit plans                                                                                      | (95)       | 1,451      |
| 100.                                                             | Income taxes relating to other income components without reversal to the income statement                  | 112        | (470)      |
| Other income components with reversal to the income statement    |                                                                                                            |            |            |
| 130.                                                             | Cash flow hedges:                                                                                          |            | 303        |
|                                                                  | a) changes in fair value                                                                                   |            | 303        |
|                                                                  | b) reversal to income statement                                                                            |            |            |
| 150.                                                             | Financial assets (other than equity securities) measured at fair value through other comprehensive income: | 26,207     | (47,274)   |
|                                                                  | a) changes in fair value                                                                                   | 26,470     | (47,694)   |
|                                                                  | b) reversal to income statement                                                                            | (263)      | 216        |
|                                                                  | - credit risk adjustments                                                                                  | 10         | 158        |
|                                                                  | - realised gains/losses                                                                                    | (273)      | 58         |
|                                                                  | c) other changes                                                                                           |            | 204        |
| 170.                                                             | Share of valuation reserves of investments valued at equity:                                               | 2          | 22         |
|                                                                  | a) changes in fair value                                                                                   | 2          | 22         |
|                                                                  | b) reversal to income statement                                                                            |            |            |
| 180.                                                             | Income taxes relating to other income components with reversal to the income statement                     | (8,667)    | 15,535     |
| 190.                                                             | Total other income components                                                                              | 16,370     | (28,954)   |
| 200.                                                             | Comprehensive income (Item 10+190)                                                                         | 256,731    | 52,509     |
| 210.                                                             | Consolidated comprehensive income attributable to minority interests                                       | -          | -          |
| 220.                                                             | Consolidated comprehensive income attributable to the parent company                                       | 256,731    | 52,509     |

## PART E - INFORMATION ON RISKS AND RELATED HEDGING POLICIES

### Introduction

The Internal Control and Risk Management System consists of the set of rules, procedures and organisational structures aimed at enabling the identification, measurement, management and monitoring of the main risks. This system is integrated into the organisational and corporate governance structures adopted by the Group.

The guidelines of the system are defined in internal regulations. Detailed operational and informative provisions on the controls implemented, at the various levels, on corporate processes are contained in the specific function regulations and internal procedures.

Under the organisational model adopted by the Group, the Risk Management function reports directly to the Chief Executive Officer and participates in the risk management process aimed at identifying, measuring, assessing, monitoring, preventing and mitigating as well as communicating the risks assumed or that may be assumed in the course of business. This function also performs the activity vis-à-vis the subsidiaries, in accordance with the relevant Service Agreements.

At least once a year, the Board of Directors approves the Group's "Risk Appetite Framework (RAF)" and "Corporate Risk Management Policy", which define the risk appetite, tolerance thresholds, limits as well as risk monitoring rules and methodologies. Within the framework of these documents, specific risk indicators with the relevant attention thresholds are provided for at the level of each legal entity, identifying the functions responsible for the specific control mechanisms and providing for dedicated information flows. The internal capital adequacy process (ICAAP) and the liquidity risk management and governance system (ILAAP) are also part of the Group's risk management system.

## SECTION 1 - ACCOUNTING CONSOLIDATION RISKS

### Quantitative information

#### A. Credit Quality

##### A.1 Impaired and non-impaired credit exposures: amounts, value adjustments, trend, economic distribution

##### A.1.1 Breakdown of financial assets by portfolio and credit quality (carrying amounts)

| Portfolios/quality                                                            | Bad loans     | Unlikely to pay | Impaired past-due | Non-impaired past-due exposures | Other non-impaired exposures | Total             |
|-------------------------------------------------------------------------------|---------------|-----------------|-------------------|---------------------------------|------------------------------|-------------------|
| 1. Financial assets measured at amortised cost                                | 47,890        | 139,722         | 12,701            | 63,127                          | 14,624,708                   | 14,888,148        |
| 2. Financial assets measured at fair value through other comprehensive income | -             | -               | -                 | -                               | 822,257                      | 822,257           |
| 3. Financial assets designated at fair value                                  | -             | -               | -                 | -                               | -                            | -                 |
| 4. Other financial assets mandatorily measured at fair value                  | -             | -               | -                 | -                               | 32                           | 32                |
| 5. Financial assets held for sale                                             | -             | -               | -                 | -                               | -                            | -                 |
| <b>Total 31.12.2023</b>                                                       | <b>47,890</b> | <b>139,722</b>  | <b>12,701</b>     | <b>63,127</b>                   | <b>15,446,997</b>            | <b>15,710,437</b> |
| <b>Total 31.12.2022</b>                                                       | <b>59,771</b> | <b>131,931</b>  | <b>6,681</b>      | <b>54,655</b>                   | <b>15,234,392</b>            | <b>15,487,430</b> |

### A.1.2 Breakdown of financial assets by portfolio and credit quality (gross and net amounts)

| Portfolios/quality                                                            | Impaired       |                         |                |                           | Non-impaired      |                         |                   | Total (net exposure) |
|-------------------------------------------------------------------------------|----------------|-------------------------|----------------|---------------------------|-------------------|-------------------------|-------------------|----------------------|
|                                                                               | Gross exposure | Total value adjustments | Net exposure   | Total partial write-offs* | Gross exposure    | Total value adjustments | Net exposure      |                      |
| 1. Financial assets measured at amortised cost                                | 386,594        | (186,281)               | 200,313        | 18,708                    | 14,810,959        | (123,124)               | 14,687,835        | 14,888,148           |
| 2. Financial assets measured at fair value through other comprehensive income |                |                         |                |                           | 822,589           | (332)                   | 822,257           | 822,257              |
| 3. Financial assets designated at fair value                                  | -              | -                       | -              | -                         | X                 | X                       | -                 | -                    |
| 4. Other financial assets mandatorily measured at fair value                  | -              | -                       | -              | -                         | X                 | X                       | 32                | 32                   |
| 5. Financial assets held for sale                                             | -              | -                       | -              | -                         | -                 | -                       | -                 | -                    |
| <b>Total 31.12.2023</b>                                                       | <b>386,594</b> | <b>(186,281)</b>        | <b>200,313</b> | <b>18,708</b>             | <b>15,633,548</b> | <b>(123,456)</b>        | <b>15,510,124</b> | <b>15,710,437</b>    |
| <b>Total 31.12.2022</b>                                                       | <b>393,724</b> | <b>(195,341)</b>        | <b>198,383</b> | <b>1,882</b>              | <b>15,395,827</b> | <b>(107,445)</b>        | <b>15,289,047</b> | <b>15,487,430</b>    |

| Portfolios/quality                   | Assets with evident poor credit quality |              | Other assets  |
|--------------------------------------|-----------------------------------------|--------------|---------------|
|                                      | Accumulated losses                      | Net exposure | Net exposure  |
| 1. Financial assets held for trading | -                                       | -            | 3,514         |
| 2. Hedging derivatives               | -                                       | -            | 21,431        |
| <b>Total 31.12.2023</b>              | <b>-</b>                                | <b>-</b>     | <b>24,945</b> |
| <b>Total 31.12.2022</b>              | <b>-</b>                                | <b>-</b>     | <b>79,733</b> |

## **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.

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, 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.

The Credit Department's monitoring activities continued on the customers entrusted: the analysis of the positions showed an increase compared to the previous quarters in the deterioration of existing loans - albeit at levels in line with the pre-pandemic period - on which risk containment and management actions were activated. 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 and by the measures implemented by the ECB, which led to a significant increase in rates.

As part of its corporate risk management policies, the Bank has established a system of operational limits and specific Key Risk Indicators (KRI). In the context of monitoring and control, when thresholds are exceeded, the Risk Management function activates internal procedures to intervene in order to maintain a level of risk appetite consistent with what is defined in the RAF and risk management policies.

For risk management purposes, the Group uses an internal rating system capable of classifying each counterparty into risk classes with homogeneous probability of default. The classification of performing counterparties subject to valuation is on a scale of 1 to 10. Non-performing loans (exposures past-due and/or overdrawn, unlikely to pay and bad loans) are excluded from the rating assignment.

For the purpose of calculating the capital requirement for credit risk, the bank follows the regulatory rules for the Standardised Approach, using ratings provided by authorised external ECAI for certain counterparties.

### **2.3 Methods for measuring expected losses**

The general approach defined by IFRS 9 Financial Instruments to estimate impairment is based on a process designed to provide evidence of deterioration in the credit quality of a financial instrument at the reporting date compared to the date of initial recognition. The regulatory guidance on the allocation of receivables to the various "stages" provided by the Standard ("staging" or "stage allocation") requires, in fact, that significant changes in credit risk be identified with reference to the change in creditworthiness from the initial recognition of the counterparty, the expected life of the financial asset, and other forward-looking information that may affect credit risk.

Consistent with IFRS 9, performing loans are therefore divided into two different categories:

- Stage 1: assets with no significant credit risk deterioration are classified in this bucket. For this Stage, the calculation of the expected one-year loss on a collective basis is envisaged;

- Stage 2: in this bucket are classified assets with a significant deterioration in credit quality between the reporting date and initial recognition. For this bucket, the expected loss must be calculated from a lifetime perspective, i.e. over the entire life of the instrument, on a collective basis.

As part of the 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 continuation of the emergency relating to the war conflict between Russia and Ukraine, which occurred in 2022, and to the further international tensions that occurred in 2023, the presence of important inflationary shocks, the difficulties in energy and food supply and the increase in the cost of living and the consequent social implications, it is highlighted that in the preparation of this financial reporting, 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 hypotheses in the models used for estimating expected credit losses 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 and macroeconomic change described above and still present in the current market context, the Group has considered updating both the macroeconomic forecasts and the models used to estimate expected losses by adopting forecasts prepared by specialised providers. These projections take into account the transmission of the effects of the war conflict between Russia and Ukraine and the inflationary shocks to the economy through multiple channels such as the decline in international trade and foreign demand, the reduction in private consumption, the effects of uncertainty and confidence on the propensity of companies 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:

$$ECL = \sum_{t=1}^T PD_t \cdot EAD_t \cdot LGD_t \cdot (1 + r)^{-t}$$

where:

- PD<sub>t</sub> 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)
- EAD<sub>t</sub> represents the counterparty exposure at each cash flow date
- LGD<sub>t</sub> 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

As represented in the section "Inclusion of forward-looking factors", the estimated PD curves are distinct for each selected macroeconomic scenario and are applied for the calculation of the ECL for each of these scenarios. The final expected loss measure is obtained by weighting the Expected Credit Loss measures conditional on the macroeconomic scenarios by their respective probabilities of occurrence.

The models used to estimate these parameters are derived from the corresponding parameters developed under the most recent regulatory guidelines, making specific adjustments to take into account the different requirements and purposes of the IFRS 9 impairment model compared to the regulatory model.

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

- removal of elements provided for regulatory purposes only, such as the down-turn component considered in the regulatory LGD calculation to account for the adverse business cycle, the margins of conservatism provided for PD, LGD and EAD, and the add-on of indirect costs with the aim of avoiding a double-counting effect on the income statement;
- inclusion of current business cycle conditions (Point-in-Time risk measures) in place of a Through The Cycle (TTC) measurement required for regulatory purposes;
- introduction of forward-looking information concerning the future dynamics of macroeconomic factors (forward looking risk) considered potentially capable of influencing the debtor's situation;
- extension of the risk parameters to a multi-year perspective, taking into account the duration of the credit exposure to be assessed (lifetime).

The following provides more detailed information on how the Group determined the aforementioned IFRS 9 compliant risk parameters, with particular reference to how forward-looking factors were included.

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

#### *Estimating the PD parameter*

The PD parameters were appropriately calibrated, using satellite models, to reflect default rates under current (PiT) and forward-looking conditions. These parameters must be estimated not only with reference to the twelve-month horizon following the reporting date, but also in future years, in order to allow for the calculation of lifetime provisions.

For the Group, lifetime PD curves were created by multiplying 12-month rating migration matrices by segments and conditional on prospective macroeconomic scenarios, using a Markovian approach. Each rating class assigned to counterparties by internal models is associated with the corresponding lifetime PD curve. Below are the main methodological steps used to estimate the PD lifetime parameter:

- creating historical Point in Time (PiT) migration matrices for each risk segment defined by the rating models and, based on the average of these matrices, obtaining 3-year migration matrices for each risk segment. It should be noted that in order to reduce the default rate bias resulting from support policies, the migration matrices of 2020 and 2021 have been deducted of the counterparties benefiting from moratoria;
- determination of future PiT migration matrices for the first three years following the reporting date, obtained on the basis of PiT migration matrices conditioned by selected macroeconomic scenarios, using satellite models (Merton method) capable of expressing the sensitivity of PD measures to changes in key economic quantities. These satellite models are differentiated by Business and Private segments and use segment-specific variables;
- obtaining the cumulative PD per rating class and scenario by means of a matrix product (Markov chain techniques) of the future PiT migration matrices for the first three years, as calculated above, while from the fourth year onwards, use is made of the 1-yr TTC matrix assumed constant in each period  $t$ , obtained by deconditioning the individual annual migration matrices observed over the last five years using the Merton-Vasicek method;
- generation of the cumulative lifetime PD curve as the average of the cumulative PD curves of each selected macroeconomic scenario.

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 applied to calculate three separate measures of ECL (one for each macroeconomic scenario) that are subsequently adopted to calculate the final ECL obtained as the average of the ECL measures conditional on each macroeconomic scenario weighted by their respective probabilities of occurrence.

Taking into account the effect on the final data produced by both the COVID-19 pandemic and the inflationary shocks, structural breaks in the historical relationship between the business cycle and risk parameters (in particular default rates) due to the coexistence of a severe recession and government support measures (in particular credit moratoria) were analysed and modelled, which prevented the sharp increase in insolvencies that would likely have been observed in their absence. Therefore, the modelling components introduced in previous years were removed, so-called “Cliff Effect” to include COVID-19 effects that have not yet fully reversed over either to the default classifications or to the deterioration of the performing portfolio.

In addition, in re-estimating the models, in order to include separate prospective risk assessments by business segment and geographic area, separate “satellite models” were developed by business macro-sector for the Corporate segment and by geographic macro-area for the Private segment. Thus, the estimation of the aforementioned econometric relationship between the default rate and the explanatory macroeconomic variables was conducted with a higher level of granularity in order to capture the asymmetric impact of historical economic events on different sectors and geographic areas and to incorporate differentiated forecasting elements that more closely reflect the prospective riskiness of the portfolio.

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

The following tables provide evidence of the minimum and maximum values ("range of values") referred to some of the macroeconomic parameters considered in the forward-looking conditioning models (so-called satellite models, time by time subject to calibration and refinement), for the scenarios considered most probable to influence the expected losses of performing credit exposures and the relative probabilities of occurrence considered at 31 December 2023, 2022 and 2021:

|                                       |                          |            |                      |            |                          |            |
|---------------------------------------|--------------------------|------------|----------------------|------------|--------------------------|------------|
| Financial Statements 31 December 2023 | <b>Positive Scenario</b> |            | <b>Base Scenario</b> |            | <b>Negative Scenario</b> |            |
| <b>Macroeconomic Indicators</b>       | <b>Min</b>               | <b>Max</b> | <b>Min</b>           | <b>Max</b> | <b>Min</b>               | <b>Max</b> |
| GDP Italy                             | 0.59                     | 1.94       | 0.26                 | 0.85       | -1.27                    | 0.19       |
| Consumer Price Index                  | 1.11                     | 1.56       | 1.52                 | 2.67       | 1.41                     | 5.86       |
| Unemployment rate                     | -0.87                    | -0.15      | -0.15                | -0.11      | 0.01                     | 1.37       |
| <b>Probability of occurrence</b>      | <b>10%</b>               |            | <b>55%</b>           |            | <b>35%</b>               |            |

|                                       |                          |            |                      |            |                          |            |
|---------------------------------------|--------------------------|------------|----------------------|------------|--------------------------|------------|
| Financial Statements 31 December 2022 | <b>Positive Scenario</b> |            | <b>Base Scenario</b> |            | <b>Negative Scenario</b> |            |
| <b>Macroeconomic Indicators</b>       | <b>Min</b>               | <b>Max</b> | <b>Min</b>           | <b>Max</b> | <b>Min</b>               | <b>Max</b> |
| GDP Italy                             | 0.40                     | 3.80       | 0.40                 | 3.80       | -0.48                    | 3.43       |
| 10-year Bund - BTP spread             | 1.80                     | 2.57       | 2.04                 | 2.58       | 2.62                     | 2.69       |
| <b>Probability of occurrence</b>      | <b>10%</b>               |            | <b>55%</b>           |            | <b>35%</b>               |            |

|                                       |                          |            |                      |            |                          |            |
|---------------------------------------|--------------------------|------------|----------------------|------------|--------------------------|------------|
| Financial Statements 31 December 2021 | <b>Positive Scenario</b> |            | <b>Base Scenario</b> |            | <b>Negative Scenario</b> |            |
| <b>Macroeconomic Indicators</b>       | <b>Min</b>               | <b>Max</b> | <b>Min</b>           | <b>Max</b> | <b>Min</b>               | <b>Max</b> |
| GDP Italy                             | 2.24                     | 6.44       | 2.50                 | 6.20       | 1.43                     | 5.96       |
| Inflation Europe                      | 2.10                     | 3.40       | 1.80                 | 3.20       | 1.40                     | 3.10       |
| Euribor 3m                            | -0.47                    | -0.50      | -0.50                | -0.50      | -0.54                    | -0.50      |
| Residential property values Italy     | 1.43                     | 2.50       | 1.39                 | 1.73       | 0.36                     | 1.38       |
| 10-year Bund - BTP spread             | 0.91                     | 1.03       | 0.91                 | 1.03       | 1.28                     | 2.14       |
| <b>Probability of occurrence</b>      | <b>0%</b>                |            | <b>55%</b>           |            | <b>45%</b>               |            |

### *Post-model adjustments*

In relation to the persistent elements of uncertainty in the macroeconomic scenarios already mentioned and consistent with the expectations of the regulators, as well as with the approach of utmost care applied in the performance monitoring of exposures already adopted in the three previous years, the Group deemed it appropriate to continue to adopt a prudent approach in assessing the longer-term impacts also in relation to new emerging risk factors, defining post-model adjustments (management overlay) that take into account the transition to stage 2:

- updating the Parent Company's sector attractiveness analyses based on Prometeia sector studies, focusing on ratings equal to or worse than the median class (rating 5),
- the mortgages granted to private customers belonging to the mass market segment towards which the analysis of the Credit Department and the Commercial Department of the Parent Company is directed (worsening of the installment in the periods June - December 2022 and January-December 2023 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 in credit policies were taken into consideration, as detailed below, maintaining a prudent approach on Ateco 55 "Hotels and similar establishments", the only one that went from low to medium attractiveness in 2023, making it a low attractiveness sector.

| 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.

In the definition of these clusters, the criteria already adopted for the staging overlay were used, supplemented to reflect greater caution on branches located in the provinces most affected by the floods in Emilia-Romagna and Tuscany, on Covid-19 moratoria in place at the end of 2021, and on particular categories of low attractiveness sectors that showed greater risk during the year.

For the definition of the minimum coverage to be applied on the various clusters identified, in a range between 4.9% and 17.4%, the average coverage levels expressed by the model on different risk bands were taken as a reference.



In the definition of the post-model adjustments, the effects of climate change were reflected, among others, in the definition of the lending policies adopted by the bank, i.e. in the arrangement of sectoral attractiveness, which also took into account the evidence arising from the materiality analyses of climate and environmental risks, as well as in the definition of the management overlay approach described above, and thus reflected in the resulting increase in ECL.

#### *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 1.7 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 given 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 given by the Guarantee Fund for SMEs pursuant to Law No. 662/96 and by SACE were modelled in the calculation of the expected loss (ECL); an expected loss reflecting the risk of a public counterparty was also determined on the guaranteed portion of the exposure. A similar approach was adopted for financial guarantees eligible for prudential purposes.

### **3. Impaired credit exposures**

#### **3.1 Management strategies and policies**

The current regulatory framework provides for the classification of impaired financial assets according to their critical status. In particular, there are three categories: "bad loans", "unlikely to pay" and "impaired past-due and/or overdrawn exposures".

- Bad loans: exposure to a party in a state of insolvency (even if not judicially adjudicated) or in substantially similar situations, irrespective of the loss projections made by the intermediary.
- Unlikely to pay: exposures for which the intermediary considers it unlikely that the borrower will perform in full without recourse to actions such as the enforcement of collateral, irrespective of the presence of amounts past-due and/or overdrawn.
- Impaired past-due and/or overdrawn exposures: exposures, other than those classified as bad loans or unlikely to pay, that are past-due and/or overdrawn continuously for more than 90 days.

There is also a type of "forborne exposures", referring to exposures subject to renegotiation and/or refinancing due to financial difficulties (manifest or about to manifest) of the client. Such exposures may constitute a subset of both non-performing loans (forborne exposures on impaired positions) and performing loans (forborne exposures on performing positions). The management of these exposures, in compliance with regulatory requirements with respect to timing and classification methods, is assisted through specific work processes and IT tools.

The Group has a policy that regulates the criteria and methods for the application of value adjustments which, depending on the type of non-performing loan, the original technical form and the type of collateral supporting it, establish the minimum percentages to be applied in determining loss forecasts. The management of the Parent Company's impaired exposures is delegated to a specific organisational unit, the NPL Area, which is responsible for identifying strategies to maximise recovery on individual positions and for defining the value adjustments to be applied to them. Only "impaired past-due/overdrawn" exposures subject to a lump-sum write-down and with a high probability of reclassification among "performing" exposures are managed by the function delegated to the monitoring of credit performance, which eventually classifies them among "unlikely to pay", transferring their management to the NPL Area.

The loss forecast represents the summary of several elements derived from different assessments (internal and external) of the capital adequacy of the principal debtor and any guarantors, and, in the case of UTP, also takes into account the drivers used in defining the LGD parameter. The monitoring of loss forecasts is constant and related to the development of the individual position. The Risk Management function periodically monitors compliance with the doubtful outcome percentages envisaged by the policy for the management of non-performing loans, reporting any deviations to the competent functions for realignment interventions, and supervises the recovery activities of non-performing loans, whether managed directly by the functions in charge or through specialised external operators.

The time element inherent in the discounting of non-performing loans is determined by specific valuations, made for individual types of assets, prepared on the basis of information on individual court cases and updated periodically.

Consistent with the objectives of reducing the bank's stock of non-performing loans indicated in the business plan and in the NPL Management Plan, and with a view to maximising recoveries, the competent corporate functions define the best strategy for managing impaired exposures, which, on the basis of the subjective characteristics of the individual counterparty/exposure and internal policies may be identified

in a review of contractual terms (forbearance), in the assignment to an internal recovery unit rather than to a specialised third-party operator, in the identification of the possibility of assigning the credit to third parties (at the level of individual exposure or within a complex of positions with homogeneous characteristics). In particular, during the course of the year, proactive monitoring of exposures continued, favouring the return and recovery of unlikely to pay (UTP) exposures, and also finalising hypotheses of disposal transactions to third parties formalised within 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 disposal of both mortgage and unsecured credit perimeters.

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 year 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.

Consistently with the disposal targets, established from time to time by the Board of Directors, the Group's exposures classified as bad loans or unlikely to pay are assessed through the configuration of two different estimates of expected cash flows:

- the first, determined by assuming the recovery scenario from the debtor on the basis of internal activity, according to the ordinary valuation guidelines followed by the Group previously illustrated (work out scenario);
- the second assuming the scenario of recovery by means of disposal of credit (sale scenario), the estimate of which is derived from the amount defined for internal recovery.

The quantification of the expected losses of the aforementioned exposures includes forward-looking elements, through the introduction of specific sale scenarios, where the Group's NPL strategy envisages that the recovery of the aforementioned exposures may take place through a sale on the market, with a

view to pursuing a derisking strategy aimed at reducing the NPL ratio, i.e., the percentage of impaired exposures with respect to the total exposures.

Consequently, the estimate of the expected losses of these positions reflects not only the expected recovery through ordinary operations (work out) but also the presence, appropriately calibrated, of the sales scenario and therefore of the related cash flows.

As expressly provided for by the IASB ITG1, in determining expected losses, it is in fact possible to consider recoverable cash flows through sale, to the extent that it is possible to develop expectations and assumptions based on reasonable and demonstrable information (see in this regard the document: *"Meeting Summary - 11 December 2015 - Inclusion of cash flows expected from the sale on default of a loan in the measurement of expected credit losses"*).

The estimate of recoverable cash flows is therefore equal to the probability-weighted average of the estimated cash flows the Group expects to receive in the two scenarios. Expected losses are therefore determined based on the difference between the gross value of the credit exposure and the estimated lower recoverable flows.

The methodology for estimating expected losses therefore involves the following steps:

- the segmentation of the portfolio into different clusters considered relevant for the purposes of portfolio analysis, depending on the status (bad loans or unlikely to pay), the date of entry among impaired exposures (vintage), the amount of the exposures, and the existence of planned sales;
- the assignment of a different probability of disposal to each cluster, consistent with the achievement of the target level of disposals decided by the competent bodies;
- the determination of recovery flows through the sale, based on an internal model of discounting recoverable cash flows, based on the discounted cash flow technique, according to certain parameters deemed representative from the perspective of the potential purchaser, with the objective of arriving at a price for the hypothetical sale of each cluster, appropriately calibrated to take into account comparable transactions observed on the market.

Given that the exposures subject to probable disposal may not be individually identifiable at the reporting date, the model requires that a probability of disposal be associated with each loan.

The expected loss of the exposures under review is therefore equal to the probability-weighted average of the estimated recoverable cash flows in the two scenarios (workout and sale).

The assignment of probabilities to the various scenarios is based on the segmentation of the Group's overall portfolio of loans classified as bad loans or unlikely to pay according to the main characteristics that influence the value attributed by the market to loans of this type (vintage, amount of exposure).

The allocation of probabilities to the various clusters is guided by the amount of the target disposals approved by the Board of Directors from time to time. In other words, the probabilities are assigned to the various clusters in such a way that the sum of the total nominal values of each cluster multiplied by the relative probability of disposal (hereinafter also "expected value of disposal") is equal to the aforementioned target disposal amount approved by the Board of Directors. The probabilities assigned to the various clusters are therefore variable over time and can range from a minimum of 0%, for those positions that are considered to be excluded from sale due to their intrinsic characteristics, up to a maximum of 90%, assigned to the cluster in which the loans that are considered most likely to be sold (scheduled sales) are placed. The composition of the clusters also varies over time depending on the evolution of market appetite for the various types of exposures and the consequent suitability assessments carried out by the competent Bank bodies.

For target volumes of disposals preparatory to maintaining NPL Ratio levels already achieved, the transactions are considered to be of a physiological nature, resulting in the application of only the internal workout scenario in determining expected losses.

For the determination of the recovery flows through sale, the valuation method used is based on a process of discounting the recoverable cash flows ("discounted cash flows"), which takes into consideration the main parameters that are normally considered by potential purchasers when defining the purchase price, appropriately calibrated to take into account comparable transactions observed on the market. In more detail, the factors considered in the estimation process are: the estimated recoverable value consistent with the value estimated in the workout scenario; the costs that the purchaser will have to incur to recover the receivable; the estimated recovery time, based on market information (e.g. average court times); the expected rates of return from purchasers; and specific market factors also defined according to the type of sale transaction put in place.

It should be noted that the method illustrated above does not apply to any loans that, at the date of preparation of the financial statements, are already analytically identified as held for sale, in relation to which the conditions provided for by IFRS 5 for classification in the portfolio of assets held for sale are met. The valuation of these loans is carried out considering only the sale scenario, to which a 100% probability is assigned, and assuming as a reference the sale prices or, in any case, the information contained in the agreements finalised with the counterparties (binding offers).

### **3.2 Write-offs**

Impaired exposures for which there is no possibility of recovery (either total or partial) are subject to derecognition (write-off) in accordance with the policies in force at the time, approved by the Parent Company'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 Parent Company has adopted specific policies for the analytical assessment of impaired 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.

Following the acquisition of the bank branch unit realised in February 2023 with the BPER Group, POCI are recorded in the financial statements at 31 December 2023, classified at the time of the acquisition as unlikely to pay, which were still classified at year-end as unlikely to pay or bad loans. The initial recognition value of POCI reflects the lower fair value attributed of Euro 4.7 million compared to the total gross value of the loans acquired.

In December 2023, after a specific preliminary investigation that ascertained the lack of support for the securitisation, Banco Desio repurchased bad loans included in the portfolio sold in 2018 to the securitisation vehicle company 2Worlds srl for a GBV of Euro 22.4 million. The initial recognition value of POCI reflects the lower fair value attributed of Euro 17.8 million compared to the total gross value of the loans acquired.

#### **4. Financial assets subject to trade renegotiations and forbore 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 forbore exposures.

## Quantitative information

### A. Credit Quality

#### A.1 Impaired and non-impaired credit exposures: amounts, value adjustments, trend, economic distribution

##### A.1.1 Prudential consolidation - Breakdown of financial assets by maturity bands (carrying amounts)

| Portfolios/risk stages                                                        | First stage           |                                 |              | Second stage          |                                 |              | Third stage           |                                 |              | Purchased or originated impaired |                                 |              |       |
|-------------------------------------------------------------------------------|-----------------------|---------------------------------|--------------|-----------------------|---------------------------------|--------------|-----------------------|---------------------------------|--------------|----------------------------------|---------------------------------|--------------|-------|
|                                                                               | From 1 day to 30 days | More than 30 days up to 90 days | Over 90 days | From 1 day to 30 days | More than 30 days up to 90 days | Over 90 days | From 1 day to 30 days | More than 30 days up to 90 days | Over 90 days | From 1 day to 30 days            | More than 30 days up to 90 days | Over 90 days |       |
| 1. Financial assets measured at amortised cost                                | 11,798                | 3,989                           | 6,082        | 20,490                | 15,509                          | 5,256        | 11,761                | 23,311                          | 89,929       | 4,373                            | 1,080                           | 4,502        |       |
| 2. Financial assets measured at fair value through other comprehensive income | -                     | -                               | -            | -                     | -                               | -            | -                     | -                               | -            | -                                | -                               | -            |       |
| 3. Financial assets held for sale                                             | -                     | -                               | -            | -                     | -                               | -            | -                     | -                               | -            | -                                | -                               | -            |       |
| Total                                                                         | 31.12.2023            | 11,798                          | 3,989        | 6,082                 | 20,490                          | 15,509       | 5,256                 | 11,761                          | 23,311       | 89,929                           | 4,373                           | 1,080        | 4,502 |
| Total                                                                         | 31.12.2022            | 7,893                           | 2,656        | 5,472                 | 20,797                          | 12,402       | 5,297                 | 14,329                          | 23,664       | 98,033                           | 423                             | 529          | 1,304 |



**A.1.2 Prudential consolidation - Financial assets, commitments to disburse funds and financial guarantees given: trend in total value adjustments and total allocations (Part 1)**

| Reasons/risk stages                                                  | Total value adjustments                   |                                             |                                                                            |                                |                                  |                                  |                                           |                                             |                                                                            |                                |                                  |                                  |
|----------------------------------------------------------------------|-------------------------------------------|---------------------------------------------|----------------------------------------------------------------------------|--------------------------------|----------------------------------|----------------------------------|-------------------------------------------|---------------------------------------------|----------------------------------------------------------------------------|--------------------------------|----------------------------------|----------------------------------|
|                                                                      | First stage assets                        |                                             |                                                                            |                                |                                  |                                  | Second stage assets                       |                                             |                                                                            |                                |                                  |                                  |
|                                                                      | Demand loans with banks and central banks | Financial assets measured at amortised cost | Financial assets measured at fair value through other comprehensive income | Financial assets held for sale | of which: individual write-downs | of which: collective write-downs | Demand loans with banks and central banks | Financial assets measured at amortised cost | Financial assets measured at fair value through other comprehensive income | Financial assets held for sale | of which: individual write-downs | of which: collective write-downs |
| <b>Total opening adjustments</b>                                     | <b>113</b>                                | <b>20,817</b>                               | <b>323</b>                                                                 | -                              | -                                | <b>21,253</b>                    | -                                         | <b>86,208</b>                               | -                                                                          | -                              | -                                | <b>86,208</b>                    |
| Increases in purchased or originated financial assets                | 44                                        | 10,012                                      | 5                                                                          | -                              | -                                | 10,061                           | -                                         | 4,859                                       | -                                                                          | -                              | -                                | 4,859                            |
| Derecognition other than write-offs                                  | (4)                                       | (4,219)                                     | -                                                                          | -                              | -                                | (4,223)                          | -                                         | (783)                                       | -                                                                          | -                              | -                                | (783)                            |
| Net value adjustments/reversals for credit risk                      | (111)                                     | (2,319)                                     | 4                                                                          | -                              | -                                | (2,426)                          | -                                         | 8,529                                       | -                                                                          | -                              | -                                | 8,529                            |
| Contractual amendments without derecognition                         | -                                         | -                                           | -                                                                          | -                              | -                                | -                                | -                                         | (82)                                        | -                                                                          | -                              | -                                | (82)                             |
| Changes in estimate methodology                                      | -                                         | -                                           | -                                                                          | -                              | -                                | -                                | -                                         | -                                           | -                                                                          | -                              | -                                | -                                |
| Write-offs not recognised directly in the income statement           | -                                         | -                                           | -                                                                          | -                              | -                                | -                                | -                                         | -                                           | -                                                                          | -                              | -                                | -                                |
| Other changes                                                        | -                                         | (7)                                         | -                                                                          | -                              | -                                | (7)                              | -                                         | (1)                                         | -                                                                          | -                              | -                                | (1)                              |
| <b>Total closing adjustments</b>                                     | <b>42</b>                                 | <b>24,284</b>                               | <b>332</b>                                                                 | -                              | -                                | <b>24,658</b>                    | -                                         | <b>98,730</b>                               | -                                                                          | -                              | -                                | <b>98,730</b>                    |
| Recoveries from collection on financial assets subject to write-offs | -                                         | -                                           | -                                                                          | -                              | -                                | -                                | -                                         | -                                           | -                                                                          | -                              | -                                | -                                |
| Write-offs recognised directly in the income statement               | -                                         | -                                           | -                                                                          | -                              | -                                | -                                | -                                         | -                                           | -                                                                          | -                              | -                                | -                                |

**A.1.2 Prudential consolidation - Financial assets, commitments to disburse funds and financial guarantees given: trend in total value adjustments and total allocations (Part 2)**

| Reasons/risk stages                                                  | Total value adjustments                   |                                             |                                                                            |                                |                                  |                                  |                                                   |                                                                            |                                |                                  |                                  | Total allocations for commitments to disburse funds and financial guarantees given |              |             |                                                                                          | Tot.      |
|----------------------------------------------------------------------|-------------------------------------------|---------------------------------------------|----------------------------------------------------------------------------|--------------------------------|----------------------------------|----------------------------------|---------------------------------------------------|----------------------------------------------------------------------------|--------------------------------|----------------------------------|----------------------------------|------------------------------------------------------------------------------------|--------------|-------------|------------------------------------------------------------------------------------------|-----------|
|                                                                      | Third stage assets                        |                                             |                                                                            |                                |                                  |                                  | Purchased or originated impaired financial assets |                                                                            |                                |                                  |                                  |                                                                                    |              |             |                                                                                          |           |
|                                                                      | Demand loans with banks and central banks | Financial assets measured at amortised cost | Financial assets measured at fair value through other comprehensive income | Financial assets held for sale | of which: individual write-downs | of which: collective write-downs | Financial assets measured at amortised cost       | Financial assets measured at fair value through other comprehensive income | Financial assets held for sale | of which: individual write-downs | of which: collective write-downs | First stage                                                                        | Second stage | Third stage | Purchased or originated impaired commitments to disburse funds and fin. guarantees given |           |
| Total opening adjustments                                            | -                                         | 283,497                                     | -                                                                          | 10,514                         | 294,011                          | -                                | 5,080                                             | -                                                                          | (45)                           | 4,924                            | 111                              | 2,447                                                                              | 2,558        | 2,109       | -                                                                                        | 413,621   |
| Increases in purchased or originated financial assets                | -                                         | 6,441                                       | -                                                                          | -                              | 6,441                            | -                                | -                                                 | -                                                                          | -                              | -                                | -                                | 809                                                                                | 1,905        | 8,375       | -                                                                                        | 32,450    |
| Derecognition other than write-offs                                  | -                                         | (564)                                       | -                                                                          | -                              | (564)                            | -                                | (43)                                              | -                                                                          | -                              | (43)                             | -                                | (708)                                                                              | (2,306)      | (7,595)     | -                                                                                        | (16,222)  |
| Net value adjustments/reversals for credit risk                      | -                                         | (12,059)                                    | -                                                                          | -                              | (12,059)                         | -                                | 22                                                | -                                                                          | -                              | 1,191                            | (1,169)                          | (82)                                                                               | 135          | 30          | -                                                                                        | (5,851)   |
| Contractual amendments without derecognition                         | -                                         | 12                                          | -                                                                          | -                              | 12                               | -                                | -                                                 | -                                                                          | -                              | -                                | -                                | -                                                                                  | -            | -           | -                                                                                        | (70)      |
| Changes in estimate methodology                                      | -                                         | -                                           | -                                                                          | -                              | -                                | -                                | -                                                 | -                                                                          | -                              | -                                | -                                | -                                                                                  | -            | -           | -                                                                                        | -         |
| Write-offs not recognised directly in the income statement           | -                                         | (3,886)                                     | -                                                                          | -                              | (3,886)                          | -                                | (201)                                             | -                                                                          | -                              | -                                | (201)                            | -                                                                                  | -            | -           | -                                                                                        | (4,087)   |
| Other changes                                                        | -                                         | (90,907)                                    | -                                                                          | (10,514)                       | (101,421)                        | -                                | (979)                                             | -                                                                          | 45                             | (2,325)                          | 1,388                            | (1,932)                                                                            | (1,476)      | (172)       | -                                                                                        | (105,943) |
| Total closing adjustments                                            | -                                         | 182,534                                     | -                                                                          | -                              | 182,534                          | -                                | 3,879                                             | -                                                                          | -                              | 3,747                            | 129                              | 534                                                                                | 816          | 2,747       | -                                                                                        | 313,889   |
| Recoveries from collection on financial assets subject to write-offs | -                                         | (1,757)                                     | -                                                                          | -                              | (1,757)                          | -                                | -                                                 | -                                                                          | -                              | -                                | -                                | -                                                                                  | -            | -           | -                                                                                        | (1,757)   |
| Write-offs recognised directly in the income statement               | -                                         | (1,388)                                     | -                                                                          | -                              | (1,388)                          | -                                | -                                                 | -                                                                          | -                              | -                                | -                                | -                                                                                  | -            | -           | -                                                                                        | (1,388)   |
|                                                                      |                                           |                                             |                                                                            |                                |                                  |                                  |                                                   |                                                                            |                                |                                  |                                  |                                                                                    |              |             |                                                                                          |           |

**A.1.3 Prudential consolidation - Financial assets, commitments to disburse funds and financial guarantees given: transfers between credit risk stages (gross and nominal amounts)**

| Portfolios/risk stages                                                        | Gross exposure/nominal value             |                                  |                                                |                                  |                                               |                                 |
|-------------------------------------------------------------------------------|------------------------------------------|----------------------------------|------------------------------------------------|----------------------------------|-----------------------------------------------|---------------------------------|
|                                                                               | Transfers between first and second stage |                                  | Transfers between second stage and third stage |                                  | Transfers between first stage and third stage |                                 |
|                                                                               | From first stage to second stage         | From second stage to first stage | From second stage to third stage               | From third stage to second stage | From first stage to third stage               | From third stage to first stage |
| 1. Financial assets measured at amortised cost                                | 873,467                                  | 403,898                          | 74,039                                         | 7,132                            | 61,060                                        | 3,234                           |
| 2. Financial assets measured at fair value through other comprehensive income | -                                        | -                                | -                                              | -                                | -                                             | -                               |
| 3. Financial assets held for sale                                             | -                                        | -                                | -                                              | -                                | -                                             | -                               |
| 4. Commitments to disburse funds and financial guarantees given               | 123,286                                  | 160,541                          | 1,278                                          | 275                              | 13,973                                        | 184                             |
| <b>Total 31.12.2023</b>                                                       | <b>996,753</b>                           | <b>564,439</b>                   | <b>75,317</b>                                  | <b>7,407</b>                     | <b>75,033</b>                                 | <b>3,418</b>                    |
| <b>Total 31.12.2022</b>                                                       | <b>1,255,372</b>                         | <b>506,913</b>                   | <b>61,142</b>                                  | <b>11,623</b>                    | <b>45,177</b>                                 | <b>2,739</b>                    |

**A.1.3a Prudential Consolidation - New loans granted through public guarantee mechanisms issued against the COVID-19 framework: transfers between credit risk stages (gross amounts)**

| Portfolios/risk stages                                | Gross amounts                                  |                                  |                                                |                                  |                                               |                                 |
|-------------------------------------------------------|------------------------------------------------|----------------------------------|------------------------------------------------|----------------------------------|-----------------------------------------------|---------------------------------|
|                                                       | Transfers between first stage and second stage |                                  | Transfers between second stage and third stage |                                  | Transfers between first stage and third stage |                                 |
|                                                       | From first stage to second stage               | From second stage to first stage | From second stage to third stage               | From third stage to second stage | From first stage to third stage               | From third stage to first stage |
| <b>A. Loans measured at amortised cost</b>            |                                                |                                  |                                                |                                  |                                               |                                 |
| New loans granted through public guarantee mechanisms | 6,097                                          | 8,102                            | 9,435                                          | -                                | 11,566                                        | -                               |
| <b>Total 31.12.2023</b>                               | <b>6,097</b>                                   | <b>8,102</b>                     | <b>9,435</b>                                   | <b>-</b>                         | <b>11,566</b>                                 | <b>-</b>                        |

#### 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                         | 1,571,859      | 1,571,859    |             |                                  |             | 42                                      | 42          |                                  |   |   | 1,571,817    | -                        |
| a) Impaired                           |                |              |             |                                  |             |                                         |             |                                  |   |   |              | -                        |
| b) Non-impaired                       | 1,571,859      | 1,571,859    |             |                                  |             | 42                                      | 42          |                                  |   |   | 1,571,817    | -                        |
| A.2 OTHER                             | 904,368        | 902,549      |             |                                  |             | 1,517                                   | 1,517       |                                  |   |   | 902,851      | -                        |
| a) Bad loans                          |                |              |             |                                  |             |                                         |             |                                  |   |   |              | -                        |
| - of which: forbore exposures         |                |              |             |                                  |             |                                         |             |                                  |   |   |              | -                        |
| b) Unlikely to pay                    |                |              |             |                                  |             |                                         |             |                                  |   |   |              | -                        |
| - of which: forbore exposures         |                |              |             |                                  |             |                                         |             |                                  |   |   |              | -                        |
| c) Impaired past-due exposures        |                |              |             |                                  |             |                                         |             |                                  |   |   |              | -                        |
| - of which: forbore exposures         |                |              |             |                                  |             |                                         |             |                                  |   |   |              | -                        |
| d) Non-impaired past-due exposures    |                |              |             |                                  |             |                                         |             |                                  |   |   |              | -                        |
| - of which: forbore exposures         |                |              |             |                                  |             |                                         |             |                                  |   |   |              | -                        |
| e) Other non-impaired exposures       | 904,368        | 902,549      |             |                                  |             | 1,517                                   | 1,517       |                                  |   |   | 902,851      | -                        |
| - of which: forbore exposures         |                |              |             |                                  |             |                                         |             |                                  |   |   |              | -                        |
| TOTAL (A)                             | 2,476,227      | 2,474,408    | -           | -                                | -           | 1,559                                   | 1,559       | -                                | - | - | 2,474,668    | -                        |
| B. OFF-BALANCE SHEET CREDIT EXPOSURES |                |              |             |                                  |             |                                         |             |                                  |   |   |              |                          |
| a) Impaired                           |                |              |             |                                  |             |                                         |             |                                  |   |   |              | -                        |
| b) Non-impaired                       | 487,060        | 16,329       |             |                                  |             | 2                                       | 2           |                                  |   |   | 487,058      | -                        |
| TOTAL (B)                             | 487,060        | 16,329       | -           | -                                | -           | 2                                       | 2           | -                                | - | - | 487,058      | -                        |
| TOTAL (A+B)                           | 2,963,287      | 2,490,737    | -           | -                                | -           | 1,561                                   | 1,561       | -                                | - | - | 2,961,726    | -                        |

"On-balance sheet exposures" include all on-balance sheet financial assets claimed from banks, regardless of the accounting allocation portfolio (measured at fair value through profit or loss, measured at fair value through other comprehensive income, measured at amortised cost).

"Off-balance sheet exposures" include all off-balance sheet financial transactions (guarantees given, commitments, derivatives, etc.) involving the assumption of credit risk, whatever the purpose of the transactions (trading, hedging, etc.).

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

| Type of exposures/values              | Gross exposure |              |             |                                  | Total value adjustments and allocations |              |             |                                   | Net exposure | Total partial write-offs |            |
|---------------------------------------|----------------|--------------|-------------|----------------------------------|-----------------------------------------|--------------|-------------|-----------------------------------|--------------|--------------------------|------------|
|                                       | First stage    | Second stage | Third stage | Purchased or originated impaired | First stage                             | Second stage | Third stage | Purchase d or originated impaired |              |                          |            |
| A. ON-BALANCE SHEET CREDIT EXPOSURES  |                |              |             |                                  |                                         |              |             |                                   |              |                          |            |
| a) Bad loans                          | 156,896        | -            | -           | 149,599                          | 7,297                                   | 109,006      | -           | 107,621                           | 1,385        | 47,890                   | 18,708     |
| - of which: forborne exposures        | 13,743         | -            | -           | 13,494                           | 249                                     | 8,624        | -           | 8,526                             | 98           | 5,119                    | -          |
| b) Unlikely to pay                    | 214,606        | -            | -           | 203,732                          | 10,874                                  | 74,884       | -           | 72,523                            | 2,361        | 139,722                  | -          |
| - of which: forborne exposures        | 75,670         | -            | -           | 69,970                           | 5,700                                   | 26,017       | -           | 24,895                            | 1,122        | 49,653                   | -          |
| c) Impaired past-due exposures        | 15,091         | -            | -           | 15,091                           | -                                       | 2,390        | -           | 2,390                             | -            | 12,701                   | -          |
| - of which: forborne exposures        | 2,896          | -            | -           | 2,896                            | -                                       | 639          | -           | 639                               | -            | 2,257                    | -          |
| d) Non-impaired past-due exposures    | 65,325         | 21,615       | 43,708      |                                  | 2                                       | 2,198        | 65          | 2,133                             | -            | 63,127                   | -          |
| - of which: forborne exposures        | 2,942          | -            | 2,941       |                                  | 1                                       | 322          | -           | 322                               | -            | 2,620                    | -          |
| e) Other non-impaired exposures       | 14,667,764     | 12,514,454   | 957,035     |                                  | 3,486                                   | 119,744      | 23,014      | 96,597                            | 133          | 14,548,020               | -          |
| - of which: forborne exposures        | 75,603         | 472          | 74,495      |                                  | 636                                     | 7,592        | -           | 7,545                             | 47           | 68,011                   | -          |
| TOTAL (A)                             | 15,119,682     | 12,536,069   | 1,000,743   | 368,422                          | 21,659                                  | 308,222      | 23,079      | 98,730                            | 182,534      | 3,879                    | 14,811,460 |
| B. OFF-BALANCE SHEET CREDIT EXPOSURES |                |              |             |                                  |                                         |              |             |                                   |              |                          |            |
| a) Impaired                           | 24,023         |              | 24,023      |                                  | -                                       | 2,747        |             | 2,747                             | -            | 21,276                   | -          |
| b) Non-impaired                       | 4,254,812      | 3,458,221    | 168,256     |                                  | -                                       | 1,350        | 534         | 816                               | -            | 4,253,462                | -          |
| TOTAL (B)                             | 4,278,835      | 3,458,221    | 168,256     | 24,023                           | -                                       | 4,097        | 534         | 816                               | 2,747        | -                        | 4,274,738  |
| TOTAL (A+B)                           | 19,398,517     | 15,994,290   | 1,168,999   | 392,445                          | 21,659                                  | 312,319      | 23,613      | 99,546                            | 185,281      | 3,879                    | 19,086,198 |

"On-balance sheet exposures" include all on-balance sheet financial assets claimed from customers, regardless of the accounting allocation portfolio (measured at fair value through profit or loss, measured at fair value through other comprehensive income, measured at amortised cost). "Off-balance sheet exposures" include all off-balance sheet financial transactions (guarantees given, commitments, derivatives, etc.) involving the assumption of credit risk, whatever the purpose of the transactions (trading, hedging, etc.).

### A.1.5a On-balance-sheet credit exposures to customers: new loans granted through public guarantee mechanisms issued against the COVID-19 framework - gross and net amounts

|                                                       | Gross exposure |              |             |                                  | Total value adjustments and allocations |             |              |             |                                  | Net exposure |           |
|-------------------------------------------------------|----------------|--------------|-------------|----------------------------------|-----------------------------------------|-------------|--------------|-------------|----------------------------------|--------------|-----------|
|                                                       | First stage    | Second stage | Third stage | Purchased or originated impaired |                                         | First stage | Second stage | Third stage | Purchased or originated impaired |              |           |
| A. BAD LOANS                                          |                |              |             |                                  |                                         |             |              |             |                                  |              |           |
| New loans granted through public guarantee mechanisms | 23,518         | -            | -           | 23,473                           | 45                                      | 8,429       | -            | -           | 8,407                            | 22           | 15,089    |
| B. UNLIKELY TO PAY                                    |                |              |             |                                  |                                         |             |              |             |                                  |              |           |
| New loans granted through public guarantee mechanisms | 57,440         | -            | -           | 55,986                           | 1,454                                   | 12,254      | -            | -           | 12,011                           | 243          | 45,186    |
| C. IMPAIRED PAST-DUE LOANS                            |                |              |             |                                  |                                         |             |              |             |                                  |              |           |
| New loans granted through public guarantee mechanisms | 1,649          | -            | -           | 1,649                            | -                                       | 287         | -            | -           | 287                              | -            | 1,362     |
| D. PERFORMING LOANS                                   |                |              |             |                                  |                                         |             |              |             |                                  |              |           |
| New loans granted through public guarantee mechanisms | 7,689          | 832          | 6,857       | -                                | -                                       | 149         | 1            | 148         | -                                | -            | 7,540     |
| E. OTHER PERFORMING LOANS                             |                |              |             |                                  |                                         |             |              |             |                                  |              |           |
| New loans granted through public guarantee mechanisms | 1,719,581      | 1,323,973    | 395,095     | -                                | 513                                     | 6,715       | 1,597        | 5,108       | -                                | 10           | 1,712,866 |
| TOTAL (A+B+C+D+E)                                     | 1,809,877      | 1,324,805    | 401,952     | 81,108                           | 2,012                                   | 27,834      | 1,598        | 5,256       | 20,705                           | 275          | 1,782,043 |

### A.1.6 Prudential consolidation - On-balance sheet credit exposures to banks: trend in gross impaired exposures

Not present at the reporting date

### A.1.6bis Prudential consolidation - On-balance sheet credit exposures to banks: trend in forborne gross exposures broken down by credit quality

Not present at the reporting date.

#### A.1.7 On-balance sheet credit exposures to customers: trend in gross impaired exposures

| Reasons/Categories                                                      | Bad loans      | Unlikely to pay | Impaired past-due |
|-------------------------------------------------------------------------|----------------|-----------------|-------------------|
| <b>A. Opening gross exposure</b>                                        | <b>182,588</b> | <b>203,676</b>  | <b>7,460</b>      |
| - of which: exposures transferred not derecognised                      | -              | -               | -                 |
| <b>B. Increases</b>                                                     | <b>70,569</b>  | <b>193,248</b>  | <b>25,837</b>     |
| B.1 reclassified from non-impaired exposures                            | 173            | 140,072         | 19,194            |
| B.2 reclassified from purchased or originated impaired financial assets | 4,591          | 2,601           | 187               |
| B.3 reclassified from other impaired exposure categories                | 65,060         | 6,667           | -                 |
| B.4 contractual amendments without derecognition                        | -              | 12              | 1,344             |
| B.5 other increases                                                     | 745            | 43,896          | 5,112             |
| <b>C. Decreases</b>                                                     | <b>96,261</b>  | <b>182,318</b>  | <b>18,206</b>     |
| C.1 reclassified to non-impaired exposures                              | 168            | 11,844          | 4,177             |
| C.2 write-offs                                                          | 3,505          | 103             | -                 |
| C.3 collections                                                         | 23,767         | 71,024          | 7,428             |
| C.4 proceeds from sale                                                  | 17,183         | 22,123          | -                 |
| C.5 losses on sale                                                      | 50,717         | 10,849          | -                 |
| C.6 reclassified to other impaired exposure categories                  | 95             | 579             | 508               |
| C.7 contractual amendments without derecognition                        | -              | -               | -                 |
| C.8 other decreases                                                     | 826            | 65,796          | 6,093             |
| <b>D. Closing gross exposure</b>                                        | <b>156,896</b> | <b>214,606</b>  | <b>15,091</b>     |
| - of which: exposures transferred not derecognised                      | -              | -               | -                 |

**A.1.7bis Prudential consolidation - On-balance sheet credit exposures to customers: dynamics of gross exposures subject to concessions broken down by credit quality**

| <b>Reasons/Quality</b>                                    | <b>Forborne exposures:<br/>impaired</b> | <b>Forborne exposures: non-<br/>impaired</b> |
|-----------------------------------------------------------|-----------------------------------------|----------------------------------------------|
| <b>A. Opening gross exposure</b>                          | <b>108,547</b>                          | <b>137,037</b>                               |
| - of which: exposures transferred not derecognised        | -                                       | -                                            |
| <b>B. Increases</b>                                       | <b>95,701</b>                           | <b>67,106</b>                                |
| B.1 reclassified from non-impaired non-forborne exposures | 7,237                                   | 26,655                                       |
| B.2 reclassified from non-impaired forborne exposures     | 23,306                                  |                                              |
| B.3 reclassified from impaired forborne exposures         |                                         | 6,416                                        |
| B.4 reclassified from impaired non-forborne exposures     | 50,630                                  |                                              |
| B.5 other increases                                       | 14,528                                  | 34,035                                       |
| <b>C. Decreases</b>                                       | <b>111,939</b>                          | <b>125,598</b>                               |
| C.1 reclassified to non-impaired non-forborne exposures   |                                         | 79,555                                       |
| C.2 reclassified to non-impaired forborne exposures       | 6,416                                   |                                              |
| C.3 reclassified to impaired forborne exposures           |                                         | 23,306                                       |
| C.4 write-offs                                            | 924                                     | -                                            |
| C.5 collections                                           | 14,812                                  | 18,063                                       |
| C.6 proceeds from sale                                    | 14,187                                  | 3                                            |
| C.7 losses on sale                                        | 12,607                                  | -                                            |
| C.8 other decreases                                       | 62,993                                  | 4,671                                        |
| <b>D. Closing gross exposure</b>                          | <b>92,309</b>                           | <b>78,545</b>                                |
| - of which: exposures transferred not derecognised        | -                                       | -                                            |



**A.1.9 Prudential consolidation - Impaired on-balance sheet credit exposures to customers: trend in total value adjustments**

| Reasons/Categories                                                           | Bad loans      |                              | Unlikely to pay |                              | Impaired past-due |                              |
|------------------------------------------------------------------------------|----------------|------------------------------|-----------------|------------------------------|-------------------|------------------------------|
|                                                                              | Total          | of which: forborne exposures | Total           | of which: forborne exposures | Total             | of which: forborne exposures |
| <b>A. Total opening adjustments</b>                                          | <b>122,817</b> | <b>11,526</b>                | <b>71,745</b>   | <b>30,690</b>                | <b>779</b>        | <b>157</b>                   |
| - of which: exposures transferred not derecognised                           | -              | -                            | -               | -                            | -                 | -                            |
| <b>B. Increases</b>                                                          | <b>56,409</b>  | <b>7,916</b>                 | <b>49,850</b>   | <b>12,360</b>                | <b>2,782</b>      | <b>691</b>                   |
| B.1 value adjustments from purchased or originated impaired financial assets | -              | X                            | -               | X                            | -                 | X                            |
| B.2 other value adjustments                                                  | 36,994         | 1,751                        | 42,486          | 10,661                       | 2,288             | 666                          |
| B.3 losses on sale                                                           | 8,000          | 2,155                        | 5,976           | 791                          | -                 | -                            |
| B.4 reclassified from other impaired exposure categories                     | 10,982         | 4,010                        | 384             | 37                           | 28                | 25                           |
| B.5 contractual amendments without derecognition                             | -              | -                            | -               | -                            | -                 | -                            |
| B.6 other increases                                                          | 433            | -                            | 1,004           | 871                          | 466               | -                            |
| <b>C. Decreases</b>                                                          | <b>70,219</b>  | <b>10,818</b>                | <b>46,711</b>   | <b>17,033</b>                | <b>1,171</b>      | <b>209</b>                   |
| C.1 reversals from valuation                                                 | 1,341          | 178                          | 10,346          | 5,331                        | 267               | 88                           |
| C.2 reversals from collection                                                | 6,134          | 2,206                        | 6,027           | 456                          | 325               | 11                           |
| C.3 gains on sale                                                            | 480            | 333                          | 2,637           | 1,690                        | -                 | -                            |
| C.4 write-offs                                                               | 3,505          | 924                          | 103             | -                            | -                 | -                            |
| C.5 reclassified to other impaired exposure categories                       | 42             | -                            | 10,773          | 3,962                        | 579               | 110                          |
| C.6 contractual amendments without derecognition                             | -              | -                            | -               | -                            | -                 | -                            |
| C.7 other decreases                                                          | 58,717         | 7,177                        | 16,825          | 5,594                        | -                 | -                            |
| <b>D. Total closing adjustments</b>                                          | <b>109,007</b> | <b>8,624</b>                 | <b>74,884</b>   | <b>26,017</b>                | <b>2,390</b>      | <b>639</b>                   |
| - of which: exposures transferred not derecognised                           | -              | -                            | -               | -                            | -                 | -                            |

## A.2 Classification of exposures based on external and internal ratings

### A.2.1 Prudential consolidation - Breakdown of financial assets, commitments to disburse funds and financial guarantees given: by external rating classes (gross amounts)

| Exposures                                                                            | External rating classes |                |                  |                  |                |               | Unrated           | Total             |
|--------------------------------------------------------------------------------------|-------------------------|----------------|------------------|------------------|----------------|---------------|-------------------|-------------------|
|                                                                                      | Class 1                 | Class 2        | Class 3          | Class 4          | Class 5        | Class 6       |                   |                   |
| <b>A. Financial assets measured at amortised cost</b>                                | <b>68,449</b>           | <b>419,936</b> | <b>3,355,219</b> | <b>791,983</b>   | <b>135,191</b> | <b>65,182</b> | <b>10,361,662</b> | <b>15,197,622</b> |
| - First stage                                                                        | 56,364                  | 394,098        | 3,251,234        | 653,982          | 84,194         | 22,859        | 8,176,236         | 12,638,967        |
| - Second stage                                                                       | 12,085                  | 25,838         | 103,716          | 136,977          | 50,945         | 42,323        | 1,807,435         | 2,179,319         |
| - Third stage                                                                        | -                       | -              | 266              | 1,024            | 52             | -             | 356,333           | 357,675           |
| - Purchased or originated impaired                                                   | -                       | -              | 3                | -                | -              | -             | 21,658            | 21,661            |
| <b>B. Financial assets measured at fair value through other comprehensive income</b> | <b>574</b>              | <b>-</b>       | <b>747,037</b>   | <b>16,341</b>    | <b>-</b>       | <b>-</b>      | <b>59,301</b>     | <b>823,253</b>    |
| - First stage                                                                        | 574                     | -              | 747,037          | 16,341           | -              | -             | 59,301            | 823,253           |
| - Second stage                                                                       | -                       | -              | -                | -                | -              | -             | -                 | -                 |
| - Third stage                                                                        | -                       | -              | -                | -                | -              | -             | -                 | -                 |
| - Purchased or originated impaired                                                   | -                       | -              | -                | -                | -              | -             | -                 | -                 |
| <b>C. Financial assets held for sale</b>                                             | <b>-</b>                | <b>-</b>       | <b>-</b>         | <b>-</b>         | <b>-</b>       | <b>-</b>      | <b>-</b>          | <b>-</b>          |
| - First stage                                                                        | -                       | -              | -                | -                | -              | -             | -                 | -                 |
| - Second stage                                                                       | -                       | -              | -                | -                | -              | -             | -                 | -                 |
| - Third stage                                                                        | -                       | -              | -                | -                | -              | -             | -                 | -                 |
| - Purchased or originated impaired                                                   | -                       | -              | -                | -                | -              | -             | -                 | -                 |
| <b>Total (A+B+C)</b>                                                                 | <b>69,023</b>           | <b>419,936</b> | <b>4,102,256</b> | <b>808,324</b>   | <b>135,191</b> | <b>65,182</b> | <b>10,420,963</b> | <b>16,020,875</b> |
| <b>D. Commitments to disburse funds and financial guarantees given</b>               | <b>74,178</b>           | <b>267,837</b> | <b>389,183</b>   | <b>239,553</b>   | <b>28,339</b>  | <b>19,852</b> | <b>2,647,886</b>  | <b>3,666,828</b>  |
| - First stage                                                                        | 74,178                  | 254,308        | 371,830          | 232,146          | 20,347         | 19,834        | 2,501,906         | 3,474,549         |
| - Second stage                                                                       | -                       | 13,529         | 17,353           | 7,407            | 7,730          | 18            | 122,219           | 168,256           |
| - Third stage                                                                        | -                       | -              | -                | -                | 262            | -             | 23,761            | 24,023            |
| - Purchased or originated impaired                                                   | -                       | -              | -                | -                | -              | -             | -                 | -                 |
| <b>Total (D)</b>                                                                     | <b>74,178</b>           | <b>267,837</b> | <b>389,183</b>   | <b>239,553</b>   | <b>28,339</b>  | <b>19,852</b> | <b>2,647,886</b>  | <b>3,666,828</b>  |
| <b>Total (A+B+C+D)</b>                                                               | <b>143,201</b>          | <b>687,773</b> | <b>4,491,439</b> | <b>1,047,877</b> | <b>163,530</b> | <b>85,034</b> | <b>13,068,849</b> | <b>19,687,703</b> |

The assignment of external ratings refers to positions in the Group's own securities portfolio and to financing positions for which the Cerved External Credit Assessment Institution (ECAI) has assigned a credit risk rating.

Below is a reconciliation table between the rating classes indicated in Table A.2.1 and those provided by the ECAI Moody's and Mode Finance, the agencies to which the Group refers to determine its external ratings.

| Creditworthiness classes | Moody's Rating    | Mode Finance      |
|--------------------------|-------------------|-------------------|
| 1                        | from Aaa to Aa3   | from EA1 to EA2-  |
| 2                        | from A1 to A3     | from EA3+ to EA3- |
| 3                        | from Baa1 to Baa3 | from EB1+ to EB1- |
| 4                        | from Ba1 to Ba3   | from EB2+ to EB2- |
| 5                        | from B1 to B3     | from EB3+ to EB3- |
| 6                        | Caa1 and below    | EC1+ and below    |

## A.2.2 Prudential consolidation - Breakdown of financial assets, commitments to disburse funds and financial guarantees given: by internal rating classes

**Prudential consolidation - Breakdown of financial assets, commitments to disburse funds and financial guarantees given by internal rating classes (gross amounts)**

The Group does not use internal rating models to determine capital requirements.

The Group uses, for management purposes, a rating model geared towards the assessment of Private Consumer and Business customers (Retail, Corporate and Financial and Institutional companies)

The following table shows the weight of each rating class in relation to total exposures for performing exposures belonging to the aforementioned exposure segments.

| Exposures                   | Internal rating classes |        |         |                             |       |
|-----------------------------|-------------------------|--------|---------|-----------------------------|-------|
|                             | 1 to 4                  | 5 to 6 | 7 to 10 | Financial and Institutional | Total |
| On-balance sheet exposures  | 64.41%                  | 28.92% | 4.87%   | 1.80%                       | 100%  |
| Off-balance sheet exposures | 76.61%                  | 15.04% | 5.50%   | 2.85%                       | 100%  |

## A.3 Breakdown of secured credit exposures by type of guarantee

### A.3.1 Prudential consolidation - Secured on- and off-balance sheet credit exposures to banks

Not present at the reporting date.

**A.3.2 Prudential consolidation - Secured on- and off-balance sheet credit exposures to customers**

|                                                | Gross exposure | Net exposure              | Collaterals            |                            |            |                   |     | Personal guarantees  |   |   |   |                        |                 |                           |                | Total     |
|------------------------------------------------|----------------|---------------------------|------------------------|----------------------------|------------|-------------------|-----|----------------------|---|---|---|------------------------|-----------------|---------------------------|----------------|-----------|
|                                                |                |                           | (1)                    |                            |            |                   |     | (2)                  |   |   |   |                        |                 |                           |                |           |
|                                                |                |                           |                        |                            |            |                   |     | Derivatives on loans |   |   |   |                        | Unsecured loans |                           |                |           |
|                                                |                |                           | Properties - Mortgages | Properties - Finance lease | Securities | Other collaterals | CLN | Other derivatives    |   |   |   | Public Administrations | Banks           | Other financial companies | Other entities |           |
| Central counterparties                         | Banks          | Other financial companies |                        |                            |            |                   |     | Other entities       |   |   |   |                        |                 |                           |                |           |
| 1. Secured on-balance sheet credit exposures:  | 8,384,733      | 8,147,064                 | 4,740,604              | 64,596                     | 238,530    | 151,250           | -   | -                    | - | - | - | 1,847,575              | 29              | 27,062                    | 820,175        | 7,889,821 |
| 1.1. fully secured                             | 7,019,219      | 6,803,673                 | 4,737,856              | 64,596                     | 214,210    | 148,130           | -   | -                    | - | - | - | 893,388                | 29              | 25,976                    | 715,812        | 6,799,997 |
| - of which impaired                            | 267,405        | 145,999                   | 87,826                 | 4,379                      | 829        | 1,627             | -   | -                    | - | - | - | 34,505                 | -               | 240                       | 16,533         | 145,939   |
| 1.2. partially secured                         | 1,365,514      | 1,343,391                 | 2,748                  | -                          | 24,320     | 3,120             | -   | -                    | - | - | - | 954,187                | -               | 1,086                     | 104,363        | 1,089,824 |
| - of which impaired                            | 48,198         | 32,019                    | 63                     | -                          | 213        | 76                | -   | -                    | - | - | - | 26,940                 | -               | 19                        | 726            | 28,037    |
| 2. Secured off-balance sheet credit exposures: | 872,542        | 871,443                   | 3,559                  | -                          | 72,378     | 42,162            | -   | -                    | - | - | - | 7,718                  | 675             | 28,433                    | 665,979        | 820,904   |
| 2.1. fully secured                             | 743,609        | 742,564                   | 3,559                  | -                          | 56,682     | 36,921            | -   | -                    | - | - | - | 4,026                  | 10              | 26,209                    | 615,125        | 742,532   |
| - of which impaired                            | 6,290          | 5,833                     | 48                     | -                          | 51         | 260               | -   | -                    | - | - | - | 54                     | -               | -                         | 5,420          | 5,833     |
| 2.2. partially secured                         | 128,933        | 128,879                   | -                      | -                          | 15,696     | 5,241             | -   | -                    | - | - | - | 3,692                  | 665             | 2,224                     | 50,854         | 78,372    |
| - of which impaired                            | 1,449          | 1,449                     | -                      | -                          | 26         | 76                | -   | -                    | - | - | - | 266                    | -               | -                         | 951            | 1,319     |
| (1)+(2)                                        |                |                           |                        |                            |            |                   |     |                      |   |   |   |                        |                 |                           |                |           |

## B. Breakdown and concentration of credit exposures

### B.1 Prudential consolidation - Breakdown by sector of on- and off-balance sheet credit exposures to customers

(Part 1)

| Exposures/Counterparties                     | Public Administrations |                         | Financial Companies |                         | Financial Companies (of which insurance companies) |                         |
|----------------------------------------------|------------------------|-------------------------|---------------------|-------------------------|----------------------------------------------------|-------------------------|
|                                              | Net exposure           | Total value adjustments | Net exposure        | Total value adjustments | Net exposure                                       | Total value adjustments |
| <b>A. On-balance sheet credit exposures</b>  |                        |                         |                     |                         |                                                    |                         |
| A.1 Bad loans                                | -                      | -                       | 37                  | 10,520                  | -                                                  | -                       |
| - of which: forborne exposures               | -                      | -                       | -                   | -                       | -                                                  | -                       |
| A.2 Unlikely to pay                          | -                      | -                       | 37                  | 101                     | -                                                  | -                       |
| - of which: forborne exposures               | -                      | -                       | -                   | 16                      | -                                                  | -                       |
| A.3 Impaired past-due exposures              | 438                    | 92                      | -                   | -                       | -                                                  | -                       |
| - of which: forborne exposures               | -                      | -                       | -                   | -                       | -                                                  | -                       |
| A.4 Non-impaired exposures                   | 3,058,018              | 1,499                   | 542,445             | 9,980                   | 8,949                                              | 57                      |
| - of which: forborne exposures               | -                      | - 1                     | 446                 | 7                       | -                                                  | -                       |
| <b>Total A</b>                               | <b>3,058,456</b>       | <b>1,591</b>            | <b>542,519</b>      | <b>20,601</b>           | <b>8,949</b>                                       | <b>57</b>               |
| <b>B. Off-balance sheet credit exposures</b> |                        |                         |                     |                         |                                                    |                         |
| B.1 Impaired exposures                       | -                      | -                       | -                   | -                       | -                                                  | -                       |
| B.2 Non-impaired exposures                   | 76,891                 | -                       | 211,077             | 120                     | -                                                  | -                       |
| <b>Total B</b>                               | <b>76,891</b>          | <b>-</b>                | <b>211,077</b>      | <b>120</b>              | <b>-</b>                                           | <b>-</b>                |
| <b>Total (A+B)</b>                           | <b>31.12.2023</b>      | <b>3,135,347</b>        | <b>1,591</b>        | <b>753,596</b>          | <b>20,721</b>                                      | <b>57</b>               |
| <b>Total (A+B)</b>                           | <b>31.12.2022</b>      | <b>3,125,074</b>        | <b>693</b>          | <b>758,094</b>          | <b>16,894</b>                                      | <b>6,780</b>            |

**B.1 Prudential consolidation - Breakdown by sector of on- and off-balance sheet credit exposures to customers**

**(Part 2)**

| Exposures/Counterparties                     | Non-financial companies |                         | Households       |                         |
|----------------------------------------------|-------------------------|-------------------------|------------------|-------------------------|
|                                              | Net exposure            | Total value adjustments | Net exposure     | Total value adjustments |
| <b>A. On-balance sheet credit exposures</b>  |                         |                         |                  |                         |
| A.1 Bad loans                                | 36,512                  | 86,308                  | 11,341           | 12,179                  |
| - of which: forborne exposures               | 3,488                   | 6,820                   | 1,631            | 1,803                   |
| A.2 Unlikely to pay                          | 92,252                  | 53,606                  | 47,433           | 21,177                  |
| - of which: forborne exposures               | 29,517                  | 16,947                  | 20,136           | 9,055                   |
| A.3 Impaired past-due exposures              | 5,638                   | 1,343                   | 6,625            | 955                     |
| - of which: forborne exposures               | 2,048                   | 584                     | 210              | 54                      |
| A.4 Non-impaired exposures                   | 5,466,433               | 69,886                  | 5,544,251        | 40,574                  |
| - of which: forborne exposures               | 42,352                  | 5,094                   | 27,834           | 2,814                   |
| <b>Total A</b>                               | <b>5,600,835</b>        | <b>211,143</b>          | <b>5,609,650</b> | <b>74,885</b>           |
| <b>B. Off-balance sheet credit exposures</b> |                         |                         |                  |                         |
| B.1 Impaired exposures                       | 20,166                  | 2,674                   | 1,110            | 72                      |
| B.2 Non-impaired exposures                   | 3,120,022               | 961                     | 239,807          | 266                     |
| <b>Total B</b>                               | <b>3,140,188</b>        | <b>3,635</b>            | <b>240,917</b>   | <b>338</b>              |
| <b>Total (A+B)</b>                           | <b>31.12.2023</b>       | <b>8,741,023</b>        | <b>5,850,567</b> | <b>75,223</b>           |
| <b>Total (A+B)</b>                           | <b>31.12.2022</b>       | <b>9,034,999</b>        | <b>5,256,450</b> | <b>78,147</b>           |

## B.2 Prudential consolidation - Breakdown by territory of on- and off-balance sheet credit exposures to customers

### (Part 1)

| Exposures/Geographical areas                 | Italy             |                         | Other European countries |                         | America        |                         |
|----------------------------------------------|-------------------|-------------------------|--------------------------|-------------------------|----------------|-------------------------|
|                                              | Net exposures     | Total value adjustments | Net exposures            | Total value adjustments | Net exposures  | Total value adjustments |
| <b>A. On-balance sheet credit exposures</b>  |                   |                         |                          |                         |                |                         |
| A.1 Bad loans                                | 47,890            | (109,007)               | -                        | -                       | -              | -                       |
| A.2 Unlikely to pay                          | 138,780           | (74,023)                | -                        | 942                     | (860)          | -                       |
| A.3 Impaired past-due exposures              | 12,699            | (2,390)                 | -                        | 2                       | -              | -                       |
| A.4 Non-impaired exposures                   | 14,391,710        | (121,633)               | -                        | 216,076                 | (308)          | 1,335                   |
| <b>Total (A)</b>                             | <b>14,591,079</b> | <b>(307,053)</b>        | -                        | <b>217,020</b>          | <b>(1,168)</b> | <b>1,335</b>            |
| <b>B. Off-balance sheet credit exposures</b> |                   |                         |                          |                         |                |                         |
| B.1 Impaired exposures                       | 21,236            | (2,746)                 | -                        | 40                      | -              | -                       |
| B.2 Non-impaired exposures                   | 3,615,511         | (1,346)                 | -                        | 31,400                  | (1)            | 886                     |
| <b>Total (B)</b>                             | <b>3,636,747</b>  | <b>(4,092)</b>          | -                        | <b>31,440</b>           | <b>(1)</b>     | <b>886</b>              |
| <b>Total (A+B)</b>                           | <b>18,227,826</b> | <b>(311,145)</b>        | -                        | <b>248,460</b>          | <b>(1,169)</b> | <b>2,221</b>            |
| <b>Total (A+B)</b>                           | <b>18,005,911</b> | <b>(304,297)</b>        | -                        | <b>168,855</b>          | <b>(444)</b>   | <b>2,251</b>            |

## B.2 Prudential consolidation - Breakdown by territory of on- and off-balance sheet credit exposures to customers

### (Part 2)

| Exposures/Geographical areas                 | America                 |               | Asia                    |               | Rest of the world       |               |
|----------------------------------------------|-------------------------|---------------|-------------------------|---------------|-------------------------|---------------|
|                                              | Total value adjustments | Net exposures | Total value adjustments | Net exposures | Total value adjustments | Net exposures |
| <b>A. On-balance sheet credit exposures</b>  |                         |               |                         |               |                         |               |
| A.1 Bad loans                                | -                       | -             | -                       | -             | -                       | -             |
| A.2 Unlikely to pay                          | -                       | -             | -                       | -             | -                       | -             |
| A.3 Impaired past-due exposures              | -                       | -             | -                       | -             | -                       | -             |
| A.4 Non-impaired exposures                   | -                       | 437           | -                       | 1,589         | (1)                     | -             |
| <b>Total (A)</b>                             | -                       | <b>437</b>    | -                       | <b>1,589</b>  | <b>(1)</b>              | -             |
| <b>B. Off-balance sheet credit exposures</b> |                         |               |                         |               |                         |               |
| B.1 Impaired exposures                       | -                       | -             | -                       | -             | -                       | -             |
| B.2 Non-impaired exposures                   | -                       | -             | -                       | -             | -                       | -             |
| <b>Total (B)</b>                             | -                       | -             | -                       | -             | -                       | -             |
| <b>Total (A+B)</b>                           | -                       | <b>437</b>    | -                       | <b>1,589</b>  | <b>(1)</b>              | -             |
| <b>Total (A+B)</b>                           | <b>(1)</b>              | <b>374</b>    | <b>(1)</b>              | <b>2,225</b>  | <b>(1)</b>              | -             |

**B.3 Prudential consolidation - Breakdown by territory of on- and off-balance sheet credit exposures to banks  
(Part 1)**

| Exposures/Geographical areas          | Italy         |                         | Other European countries |                         | America       |       |
|---------------------------------------|---------------|-------------------------|--------------------------|-------------------------|---------------|-------|
|                                       | Net exposures | Total value adjustments | Net exposures            | Total value adjustments | Net exposures |       |
| A. On-balance sheet credit exposures  |               |                         |                          |                         |               |       |
| A.1 Bad loans                         | -             | -                       | -                        | -                       | -             |       |
| A.2 Unlikely to pay                   | -             | -                       | -                        | -                       | -             |       |
| A.3 Impaired past-due exposures       | -             | -                       | -                        | -                       | -             |       |
| A.4 Non-impaired exposures            | 2,347,066     | (1,397)                 | 126,612                  | (162)                   | 210           |       |
| Total (A)                             | 2,347,066     | (1,397)                 | 126,612                  | (162)                   | 210           |       |
| B. Off-balance sheet credit exposures |               |                         |                          |                         |               |       |
| B.1 Impaired exposures                |               |                         |                          |                         |               |       |
| B.2 Non-impaired exposures            | 12,473        | (2)                     | 874                      |                         |               |       |
| Total (B)                             | 12,473        | (2)                     | 874                      |                         |               |       |
| Total (A+B)                           | 31.12.2023    | 2,359,423               | (1,399)                  | 127,486                 | (162)         | 210   |
| Total (A+B)                           | 31.12.2022    | 1,413,287               | (1,400)                  | 152,760                 | (93)          | 2,683 |

**B.3 Prudential consolidation - Breakdown by territory of on- and off-balance sheet credit exposures to banks  
(Part 2)**

| Exposures/Geographical areas                 | America                 |               | Asia                    |               | Rest of the world       |               |
|----------------------------------------------|-------------------------|---------------|-------------------------|---------------|-------------------------|---------------|
|                                              | Total value adjustments | Net exposures | Total value adjustments | Net exposures | Total value adjustments | Net exposures |
| <b>A. On-balance sheet credit exposures</b>  |                         |               |                         |               |                         |               |
| A.1 Bad loans                                | -                       | -             | -                       | -             | -                       | -             |
| A.2 Unlikely to pay                          | -                       | -             | -                       | -             | -                       | -             |
| A.3 Impaired past-due exposures              | -                       | -             | -                       | -             | -                       | -             |
| A.4 Non-impaired exposures                   | -                       | 754           | -                       | 26            | -                       | -             |
| <b>Total (A)</b>                             | <b>-</b>                | <b>754</b>    | <b>-</b>                | <b>26</b>     | <b>-</b>                | <b>-</b>      |
| <b>B. Off-balance sheet credit exposures</b> |                         |               |                         |               |                         |               |
| B.1 Impaired exposures                       | -                       | -             | -                       | -             | -                       | -             |
| B.2 Non-impaired exposures                   | -                       | 3,340         | -                       | 100           | -                       | -             |
| <b>Total (B)</b>                             | <b>-</b>                | <b>3,340</b>  | <b>-</b>                | <b>100</b>    | <b>-</b>                | <b>-</b>      |
| <b>Total (A+B)</b>                           | <b>31.12.2023</b>       | <b>-</b>      | <b>4,094</b>            | <b>-</b>      | <b>126</b>              | <b>-</b>      |
| <b>Total (A+B)</b>                           | <b>31.12.2022</b>       | <b>(6)</b>    | <b>2,660</b>            | <b>-</b>      | <b>951</b>              | <b>(1)</b>    |



## B.4 Large exposures

With reference to the supervisory regulations in force, the situation at 31 December 2023 was as follows:

| Description     | Amount<br>(carrying<br>amount) | Amount<br>(weighted<br>amount) | Number |
|-----------------|--------------------------------|--------------------------------|--------|
| Large exposures | 8,446,699                      | 489,295                        | 9      |

The positions recorded refer to:

- bank's tax assets and Italian government bonds,
- participation in the capital of the Bank of Italy,
- guarantees provided by the Guarantee Fund Law No. 662 of 23.12.1996,
- repurchase agreements with Cassa di Compensazione e Garanzia,
- exposures with Crédit Agricole for liquidity deposited as part of the covered bond transaction and for debt securities included in the proprietary portfolio,
- transactions in derivatives, debt securities and long-term repos with Intesa SanPaolo SpA,
- exposures with Standard Chartered Bank mainly related to debt securities and long-term repos,
- exposures with BNP Paribas mainly related to debt securities and long-term repos,
- guarantees provided by SACE.

## C. Securitisation transactions

### Qualitative information

*"2Worlds s.r.l." GACS transaction carried out by Banco Desio as originator*

In the course of 2018, a securitisation transaction was carried out with recourse to the procedure for the release by the Italian State of the guarantee on the securitisation of bad loans on senior securities pursuant to Decree Law 18/2016 ("GACS") aimed at deconsolidating Banco Desio Group loans for a gross countervalue of Euro 1.0 billion (the "Transaction").

The Transaction was structured in order to realise the significant transfer of credit risk associated with the securitised receivables ("SRT") pursuant to Articles 243 et seq. of Regulation (EU) No. 575/2013; the reference bad loans portfolio, transferred on 12 June 2018 to the special purpose vehicle "2Worlds s.r.l." ("SPV" or "Vehicle") specifically set up, is composed of mortgage or unsecured loan contracts granted by Banco di Desio e della Brianza and Banca Popolare di Spoleto in favour of "secured" customers, i.e. with transactions secured by mortgages, and "unsecured", i.e. with transactions without collateral.

On 25 June 2018, the SPV therefore issued the following classes of Asset-Backed Securities (ABS):

- senior securities amounting to Euro 288.5 million, corresponding to 28.8% of the Gross Book Value (GBV) at the date of identification of the loans on 31 December 2020, which were rated "BBB Low" and "BBB" respectively by DBRS Ratings Ltd and Scope Ratings GmbH;
- mezzanine securities in the amount of Euro 30.2 million, which were rated "B Low" and "B" by DBRS Ratings Ltd and Scope Ratings GmbH, respectively;
- junior securities in the amount of Euro 9.0 million, unrated.

On 11 July 2018, the Banco Desio Group accepted the final binding agreement for the sale of 95% of the mezzanine and junior securities, which was finalised on 23 July 2018 through the settlement of the transaction itself and thus the deconsolidation of the transferred bad loans.

On 3 October 2018, the Banco Desio Group received formal notice that the Minister of the Economy and Finance, by order of 5 September 2018, granted the State guarantee on the senior securities issued by the Vehicle with effect as of the date of adoption of the aforementioned order as the conditions had already been verified provided for by Decree Law 18/2016.

It should be noted that during December 2023, Banco Desio repurchased bad loans included in the portfolio sold in 2018 to the securitisation vehicle company "2Worlds srl", subject to an indemnity claim, for a GBV of Euro 22.4 million. The repurchase price was agreed to be Euro 8 million (equal to the original price plus interest and net of any collections from the cut-off to the repurchase date). Receivables were treated in accordance with IFRS9 as POCI (purchased or originated credit impaired) and recorded at a fair value of Euro 4.6 million determined in line with the Bank's valuation policies).

#### *Lumen transaction carried out by Banco Desio through ABS investment*

In 2020, the Bank subscribed to a security (Asset-Backed Security or "ABS") for Euro 50 million, issued by Lumen SPV S.r.l. (special purpose vehicle or "SPV"), having as underlying assets medium- to long-term loans granted by Credimi S.p.A. ("Originator") to SMEs and assisted by a guarantee from Medio Credito Centrale (MCC) as provided for by DL 23 of 8 April 2020 (so-called Liquidity DL). During 2021, another Lumen issue with underlying loans of the same type was subscribed for a further Euro 50 million.

The objectives of the initiative are:

1. obtain an expected return consistent with the risk profile of the transaction with underlying financing guaranteed by Medio Credito Centrale;
2. increase the customer base with a target in line with commercial and credit policies (geography, company size and expected portfolio loss);
3. start operating on fintech channels (co-branded portal) that allow customers a completely online, simple and fast user experience.

#### *Viveracqua transaction carried out by Banco Desio through ABS investment*

During the 2020 financial year, the Bank also made, with a view to diversifying its securities portfolio and in search of an attractive yield, an investment of Euro 5 million in senior notes issued by the special purpose vehicle Viveracqua maturing in 2034 with 6 underlying bond issues of companies operating in the water sector.

#### *Banco Desio investment transactions in third-party senior tranches*

Also with a view to diversifying its securities portfolio during 2021, investments were made in senior tranches of third-party securitisations as follows:

- Euro 30 million referred to a standardised transparent simple senior issue ("STS") of Krypton SPV with underlying loans to SMEs guaranteed by Medio Credito Centrale: as of 31 December 2023, payments of about Euro 28.1 million have been made;
- Euro 15 million referred to a senior issue of the P2P vehicle Lendit with underlying consumer credit loans to private individuals at 31 December 2023 and payments of about Euro 7.5 million have been made.

#### *"Cassa Centrale Banca (Buonconsiglio 4)" GACS transaction multioriginator (including Banco Desio)*

In December 2021, Banco Desio also participated in a multi-originator securitisation of bad loans with a GACS state guarantee carried out by the Cassa Centrale Banca team (Buonconsiglio 4). In particular, on 15 December, the Bank finalised the sale without recourse in the form of a securitisation, carried out pursuant to Law 130/1999 (the "Transaction"), of a portfolio of bad loan positions ("NPL") with a total gross

value ("GBV") of Euro 22.9 million, in favour of the Special Purpose Vehicle "Buonconsiglio 4 S.r.l." ("SPV" or "Vehicle").

In order to comply with the retention obligation under (i) Art. 405, paragraph 1, of EU Regulation 575/2013 ("CRR"), (ii) Article 51, paragraph 1, of Delegated Regulation (EU) 231/2013 ("AIMFD Regulation") and (iii) Article 254 of Delegated Regulation (EU) 35/2015 ("Solvency II Regulation"), the Group has decided to maintain a net economic interest of the nominal value of each Junior (approximately 7%) and Mezzanine (approximately 6%) tranche transferred to third-party investors, in addition to maintaining 100% of the Senior tranche, pursuant to Article 405, paragraph 1(a) of the CRR. The consideration for the sale, amounting to Euro 4.59 million (gross of the collections of Euro 90 thousand relating to the period 1 August 2021 - 1 December 2021, as provided for by the GACS Decree of 3 August 2016, Article 2, paragraph 1, letter a), was recognised through the subscription by BDB of ABS securities ("Notes") issued by the SPV on 14 December 2021, against the NPL acquired pro-rata by each transferring bank. On 15 December 2021, Banco di Desio e della Brianza signed the final binding agreement for the sale by the Originator banks of approximately 94% of the Mezzanine securities and 93% of the Junior securities formulated by a third-party institutional investor for a pro-rata consideration of Euro 202,322, collecting the consideration on the scheduled settlement date of the securities transaction, i.e. 17 December 2021.

#### *Coppedè 2 Transaction*

It should be noted that in 2023, the subsidiary Fides finalised the sale, for consideration and without recourse, of a portfolio of pecuniary loans arising from financing to customers repayable by delegation of payment and/or salary and/or pension-backed (the "Portfolio" and the "Loans") from Fides S.p.A. ("Originator") to the specially incorporated securitisation vehicle company, Coppedè SPV srl ("SPV"), based in Italy and having Stichting Lapislazzuli as sole shareholder.

The securitisation was structured in compliance with the "simplicity, transparency and standardisation" (STS) requirements of Regulation (EU) 2017/2402.

The transaction is structured with the objective of achieving an improvement in liquidity management, focusing on optimising the management of the loan portfolio and the diversification of financing sources, reducing their cost, and matching the natural maturities of assets with those of liabilities, and has made it possible to have the necessary liquidity for its operations.

The Private Placement Transaction was finalised through the issuance of "partly paid" securities and provides for a ramp-up period of 12 months, during which additional portfolios, with defined eligibility criteria, of loans deriving from financing of the same nature originated by Fides may be transferred for consideration. The maximum amount of securities is equal to:

- Class A Senior Euro 300,000,000 (Issue price: 100%)
- Class J Junior Euro 60,770,000 (Issue price: 100%)

The initial portfolio of the transaction has a nominal value of Euro 267,349,509 (Outstanding Principal) and they are all performing loans with a disposal price including accrued interest of Euro 267,668,072.

The amount of the notes, totalling Euro 273,512,237, at the issue date of 03/11/2023 is broken down as follows:

- Senior Note Euro 227,517,862
- Junior Note Euro 45,994,375

The Senior Note was subscribed by professional investors and the amount was collected in full by the Company. The countervalue of the Senior Note is shown in Item 10 Financial liabilities measured at amortised cost b) securities outstanding. The corresponding interest expenses are shown in the income statement under item 20 Interest and similar expenses.

The Junior Note was fully endorsed by the Company. Fides therefore complies with the retention obligations set forth in Article 6 of Regulation (EU) 2017/2402 of the European Parliament and of the Council of 12 December 2017 through the option referred to in paragraph 3 (d) (first loss) having fully subscribed

to the Junior security from which it follows that all risks and rewards of the same assigned receivables remain with the Originator. The Company, having retained substantially all risks and rewards related to the transferred assets, maintains these loans in the financial statements for their full amount, applying the accounting treatment prescribed by IFRS 9 for the category of financial instruments to which they belong. At least until part of the junior securities are eventually placed on the market, the aforementioned sale and purchase transactions, to be considered together by virtue of the principle of substance over form, constitute a mere transformation of the loans into equity values (securities), without there being any substantial economic effect.

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

The following table summarises the information relating to the Notes of the Coppedè 2023 transaction at 31 December 2023:

| ISIN         | Description |        | Transaction  | Quotation Market | Rate/Spread   | Rating    | Closing Date  | Nominal value issued*   | Residual value at year-end* |
|--------------|-------------|--------|--------------|------------------|---------------|-----------|---------------|-------------------------|-----------------------------|
| IT0005568925 | Class A -   | Senior | Coppedè 2023 | n.q              | Euribor 3M/ 1 | not rated | November 2044 | 300,000                 | 227,518                     |
| IT0005568933 | Class J -   | Junior | Coppedè 2023 | n.q              | 2             | not rated | November 2044 | 60,770                  | 45,994                      |
| <b>Total</b> |             |        |              |                  |               |           |               | <b>360,770</b>          | <b>273,512</b>              |
|              |             |        |              |                  |               |           |               | *(amounts in thousands) | in Euro                     |

Lastly, it should be noted that information on so-called “self-securitisation” transactions is contained in Part E - Section 2 - Prudential consolidation risks - 1.4 Liquidity risk. These are transactions in which the Group fully subscribed to the securities issued by the vehicle, with the aim of using them to obtain liquidity, through monetary policy transactions with the Eurosystem or through repurchase agreements with market counterparties.

## Quantitative information

### C.1 Prudential consolidation - Exposures deriving from the main “own” securitisation transactions broken down by type of securitised assets and by type of exposure

| TYPE OF SECURITISED ASSETS/EXPOSURES                    | On-balance sheet exposures |                             |                 |                             |                 |                             |
|---------------------------------------------------------|----------------------------|-----------------------------|-----------------|-----------------------------|-----------------|-----------------------------|
|                                                         | Senior                     |                             | Mezzanine       |                             | Junior          |                             |
|                                                         | Carrying amount            | Value adjustments/reversals | Carrying amount | Value adjustments/reversals | Carrying amount | Value adjustments/reversals |
| A. Fully derecognised from the financial statements     | 120,848                    | 2,460                       | 31              |                             | 1               |                             |
| - financial assets measured at amortised cost           | 120,848                    | 2,460                       |                 |                             |                 |                             |
| B. Partially derecognised from the financial statements |                            |                             |                 |                             |                 |                             |
| C. Not derecognised from the financial statements       |                            |                             |                 |                             |                 |                             |

The exposure in the financial statements represents:

- the value of senior securities at amortised cost (including upfront costs incurred and accrued interest and net of expected credit loss - ECL);
- the fair value of mezzanine and junior securities held, which are recognised as financial assets mandatorily measured at fair value.

### C.2 Prudential consolidation - Exposures deriving from the main “third-party” securitisation transactions broken down by type of securitised assets and by type of exposure

| TYPE OF UNDERLYING ASSETS/EXPOSURES | On-balance sheet exposures |                             |                 |                             |                 |                             |
|-------------------------------------|----------------------------|-----------------------------|-----------------|-----------------------------|-----------------|-----------------------------|
|                                     | Senior                     |                             | Mezzanine       |                             | Junior          |                             |
|                                     | Carrying amount            | Value adjustments/reversals | Carrying amount | Value adjustments/reversals | Carrying amount | Value adjustments/reversals |
| Loans to customers                  | 98,765                     | 6,273                       |                 |                             |                 |                             |

## **D. Disposal transactions**

### **C. Prudential consolidation - Financial assets sold and fully derecognised**

#### **Qualitative information**

In continuity with the strategy of proactive management of non-performing loans and in keeping with the guidelines issued by the European Central Bank, 6 transactions were finalised during the year for the sale of loan portfolios consisting of mortgage and unsecured loans classified as bad loans and unlikely to pay for a gross book value (GBV) of Euro 44.2 million to closed-end investment funds against the investment in units of the funds themselves for a countervalue of Euro 29.7 million.

As emerges from the analysis of the quantitative information reported in the following paragraph, the structure of each of the transactions is such as to have allowed Banco Desio to meet the requirements of IFRS 10 Consolidated Financial Statements concerning the absence of the conditions required for the exercise of control over the relevant investment fund (and therefore the exclusion of the latter from the Banco Desio Group's scope of consolidation). Similarly, the requirements of IFRS 9 Financial Instruments for the substantial transfer of the rights to receive the cash flows from the individual assets transferred and the risks and rewards associated with them are met. This resulted in the total deconsolidation in accounting terms of the same transferred loans for all transactions, also taking into account that no guarantees other than the usual ones on the existence of the loan were granted in favour of each Fund.

In any case, specific periodic reporting has been provided for in the agreements of the transactions (side letters) in order to allow the subscribers of the units adequate mechanisms for feedback of the assets underlying the net asset value of each closed-end fund.

#### **Quantitative information**

Against the aforementioned disposals, which were multioriginator in nature due to the presence of disposals of impaired loans to the same fund by a plurality of investors, fund units were subscribed in 2023 for:

- Euro 12.9 million in the Persefone fund,
- Euro 11.1 million in the Keystone fund,
- Euro 5.3 million in the P-G CR Manag Uno fund,
- Euro 0.4 million in the Illimity CR fund.

Due to the pre-existing value adjustments at 31 December 2022 on loans to be sold in 2023, net losses from the sale of financial assets at amortised cost of approximately Euro 4.4 million were recorded.

As a result of the aforementioned multioriginator disposals, due to the presence of disposals of impaired loans by a plurality of investors, as of 31 December 2023, Banco Desio held the following investments in closed-end UCI of impaired loans:

1. 25,144,643.00 units of the Keystone Fund, corresponding to 9.0% of the total units issued;
2. 10,337,131.457 units of the Efesto fund, corresponding to 1.2% of the total units issued;
3. 7,767,036 units of the Clessidra fund, corresponding to 3.0% of the total units issued;
4. 6,120,074 units of the Illimity CR fund (class A and A1), corresponding to 2.5% of the total loan units issued (class A and A1);
5. 4,946,851.00 units of the UTP Italia Credit fund, corresponding to 1.1% of the total units issued;
6. 244 units of the Vic2 fund, corresponding to 29.2% of the total units issued;
7. 159 units of the Vir1 fund, corresponding to 10.2% of the total units issued;
8. 206.00 units of the P-G CR Manag Uno fund, corresponding to 23.4% of the total units issued;
9. 139.00 units of the PEG UTP MANAG DT PT fund, corresponding to 19.85% of the total units issued;

10. 34.1845 units of the Back2Bonis fund, corresponding to 1.6% of the total units issued;

11. 12,892,591.00 units of the Persefone fund (formerly Small e Med Npe fund), corresponding to 31.08% of the total units issued.

Taking into account the participation in each of the funds with respect to the plurality of investors involved, the conditions required by IFRS 10 for the exercise of control over the relevant fund are absent in all cases, as are the conditions required by IFRS 9 for the derecognition of the loans transferred due to the changed characteristics of the asset recognised in the balance sheet in place of the loans originated by the Bank (in terms of the number, characteristics and nominal value of the loans) and derecognised as a result of the transactions. To reach these conclusions, the following were evaluated:

- the absence of elements that could identify the ability to direct or control the variable returns of the funds, to which the Bank as unit holder is exposed;
- the number of debtors, the segment to which they belong, the presence of collateral, the timing of recovery and the type of financing: these qualitative factors point to a very strong diversification effect, produced by the presence of different debtors with non-homogeneous characteristics among the various contributing entities, which also corresponds to a different recovery strategy adopted by the Funds compared to that which would have been adopted by the individual member banks;
- in the case of larger contributions relative to the total assets of the funds, the conclusions of a quantitative test articulated by calculating the ratio between the variability of cash flows relative to the loan portfolio of individual member banks and the variability of cash flows relative to the total loan portfolio held by the Fund.

Subscribed units of closed-end investment funds, classified among the instruments mandatorily measured at fair value with impact on the income statement, are valued in accordance with the fair value policy adopted by Banco Desio for the type of asset.

#### **D4. Prudential consolidation - Covered bond transactions**

Covered bond transactions in which the originator bank and the lending bank are the same are described in this section.

During 2017, the "Covered Bond - Desio OBG" programme was launched with the aim of obtaining Group benefits in terms of funding (diversification of funding, reduction of the related cost, and extension of the maturities of funding sources). This Programme, which is multi-seller in nature, involves:

- Banco di Desio e della Brianza (Parent Company) in the role of (1) originator bank, (2) financing bank, and (3) covered bond issuing bank;
- Desio OBG S.r.l. (Vehicle or SPV), as a vehicle company specifically set up for the sale of eligible assets by Banco Desio, a 60% subsidiary of the Parent Company;
- BNP Paribas, as the requested swap counterparty in view of the exposure to the possible risk generated by the mismatch between the fixed rate of the covered bond and the rate mix of the sold portfolio.

In 2023, Banco Desio successfully completed the placement of a Covered Bond issue under its Guaranteed Bank Bonds programme (OBG, rated AA by Fitch) for a total amount of Euro 400 million with a maturity of 4.5 years intended for institutional investors.

This is the first European Covered Bond (Premium) issue realised by Banco Desio in compliance with the new European directive implemented in Italy in March 2023.

More specifically, the "Covered Bond - Desio OBG" programme is characterised by:

1. non-recourse, non-revolving transfers of a portfolio of residential mortgage loans;
2. disbursement to the vehicle by Banco Desio of a subordinated loan;

3. Banco di Desio e della Brianza issued Euro 575 million (issued in 2017) and Euro 500 million (issued in 2019) of covered bonds to institutional investors with a 7-year maturity, as well as Euro 100 million (issued in 2021) with 10-year maturity and Euro 400 million (issued in 2023) with 4.5-year maturity;
4. a liability swap on the covered bond issued entered by the vehicle, for a notional amount of Euro 300 million (on the 2017 issue) and for a notional amount of Euro 200 million (on the 2019 issue) with a BNP Paribas counterparty;
5. the conclusion by Banco di Desio e della Brianza of a back-swap, for the same notional amount of Euro with the same counterparty, mirroring the previous one.

The main features of the transaction are summarised below:

- a) *Vehicle name*: Desio OBG S.r.l.;
- b) *Type of underlying loans*: residential mortgages;
- c) *Value of loans transferred*: a total of Euro 3,055 million;
- d) *Amount of the subordinated loan*: a total of Euro 2,105 million at 31 December 2023;
- e) *Nominal value of covered bonds issued*: Euro 1,575 million;
- f) *Rate of the covered bonds issued*: fixed rate of 0.875% (2017 issue), 0.375% (2019 issue) and 0% with issue price 98.493% (2021 issue) and fixed rate of 4% (2023 issue).

At 31 December 2023, the portfolio of loans transferred by the Bank had a carrying amount of approximately Euro 1,980 million.

#### **E. Prudential consolidation - Models for measuring credit risk**

The Bank does not use internal portfolio models to measure credit risk exposure.



## **1.2 Market risks**

### **1.2.1 Interest rate risk and price risk - supervisory trading book**

#### **Qualitative information**

##### **A. General Aspects**

Unexpected changes in market rates, in the presence of differences in the maturity and timing of interest rates on assets and liabilities, lead to a change in the net interest flow and thus in the net interest income. Moreover, such unexpected fluctuations expose the Group to changes in the economic value of assets and liabilities.

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

##### **B. Interest rate risk and price risk management processes and measurement methods**

In exercising its powers of management and coordination, the Parent Company's Board of Directors issued specific provisions on controls.

The trading activities of the Parent Company's Finance Area are subject to operating limits as set out in the "Risk Policy" and in the texts of internal regulations; in order to contain market risk, specific limits are set on consistency, sensitivity (duration), profitability (stop loss) and Value at Risk (VaR). A specific reporting system is the tool to provide the organisational units involved with adequate information.

The monitoring of indicators and operating limits is carried out, as a first-level control, on an ongoing basis by the Finance Area, while the Risk Management Department performs second-level monitoring, activating any escalation procedures in the event of overruns in accordance with internal regulations.

For the quantification of generic and specific risks, the Group has adopted a model based on the concept of Value at Risk (VaR) in order to express in summary form and in monetary terms the maximum probable loss of a static portfolio with reference to a specific time horizon and a specific confidence level under normal market conditions. This methodology has the advantage of allowing the aggregation of positions taken relating to risk factors of a heterogeneous nature; it also provides a summary number that, being a monetary expression, is easily used by the organisational structure concerned. The VaR model uses the Monte Carlo simulation technique where, given the appropriate assumptions and correlations, it estimates, by calculating a series of possible revaluations, the value of the portfolio and, given the vector of expected portfolio returns, determines the desired percentile of the distribution. The model uses a 95% confidence interval with a time period of 1 day. The application used to calculate VaR is the Bloomberg infoprovider.

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

## Quantitative information

### 1. Supervisory trading book: breakdown by residual maturity (repricing date) of on-balance sheet financial assets and liabilities and financial derivatives - Euro

| Type/Residual maturity                 | On demand | Up to 3 months | Over 3 months to 6 months | Over 6 months to 1 year | Over 1 year to 5 years | Over 5 years to 10 years | Over 10 years | Indefinite maturity |
|----------------------------------------|-----------|----------------|---------------------------|-------------------------|------------------------|--------------------------|---------------|---------------------|
| <b>A. On-balance sheet assets</b>      | -         | -              | -                         | -                       | 1,766                  | -                        | -             | -                   |
| 1.1 Debt securities                    | -         | -              | -                         | -                       | 1,766                  | -                        | -             | -                   |
| - with early redemption option         | -         | -              | -                         | -                       | 1,766                  | -                        | -             | -                   |
| - other                                | -         | -              | -                         | -                       | -                      | -                        | -             | -                   |
| 1.2 Other assets                       | -         | -              | -                         | -                       | -                      | -                        | -             | -                   |
| <b>2. On-balance sheet liabilities</b> | -         | -              | -                         | -                       | -                      | -                        | -             | -                   |
| 2.1 Repurchase agreements              | -         | -              | -                         | -                       | -                      | -                        | -             | -                   |
| 2.2 Other liabilities                  | -         | -              | -                         | -                       | -                      | -                        | -             | -                   |
| <b>3. Financial derivatives</b>        |           |                |                           |                         |                        |                          |               |                     |
| 3.1 With underlying securities         |           |                |                           |                         |                        |                          |               |                     |
| - Options                              |           |                |                           |                         |                        |                          |               |                     |
| + Long positions                       | -         | -              | -                         | -                       | -                      | -                        | -             | -                   |
| + Short positions                      | -         | -              | -                         | -                       | 43                     | -                        | -             | -                   |
| - Other                                |           |                |                           |                         |                        |                          |               |                     |
| + Long positions                       | -         | 20,350         | -                         | -                       | -                      | -                        | -             | -                   |
| + Short positions                      | -         | -              | -                         | -                       | 43                     | 20,350                   | -             | -                   |
| 3.2 Without underlying securities      |           |                |                           |                         |                        |                          |               |                     |
| - Options                              |           |                |                           |                         |                        |                          |               |                     |
| + Long positions                       | -         | -              | -                         | -                       | -                      | -                        | -             | -                   |
| + Short positions                      | -         | -              | -                         | -                       | -                      | -                        | -             | -                   |
| - Other                                |           |                |                           |                         |                        |                          |               |                     |
| + Long positions                       | -         | 75,904         | 6,378                     | 12,204                  | 17,469                 | 3,049                    | -             | -                   |
| + Short positions                      | -         | 76,140         | 6,405                     | 12,269                  | 18,172                 | 3,499                    | -             | -                   |

**1. Supervisory trading book: breakdown by residual maturity (repricing date) of on-balance sheet financial assets and liabilities and financial derivatives - Other currencies**

| Type/Residual maturity                 | On demand | Up to 3 months | Over 3 months to 6 months | Over 6 months to 1 year | Over 1 year to 5 years | Over 5 years to 10 years | Over 10 years | Indefinite maturity |
|----------------------------------------|-----------|----------------|---------------------------|-------------------------|------------------------|--------------------------|---------------|---------------------|
| <b>A. On-balance sheet assets</b>      | -         | -              | -                         | -                       | -                      | -                        | -             | -                   |
| 1.1 Debt securities                    | -         | -              | -                         | -                       | -                      | -                        | -             | -                   |
| - with early redemption option         | -         | -              | -                         | -                       | -                      | -                        | -             | -                   |
| - other                                | -         | -              | -                         | -                       | -                      | -                        | -             | -                   |
| 1.2 Other assets                       | -         | -              | -                         | -                       | -                      | -                        | -             | -                   |
| <b>2. On-balance sheet liabilities</b> | -         | -              | -                         | -                       | -                      | -                        | -             | -                   |
| 2.1 Repurchase agreements              | -         | -              | -                         | -                       | -                      | -                        | -             | -                   |
| 2.2 Other liabilities                  | -         | -              | -                         | -                       | -                      | -                        | -             | -                   |
| <b>3. Financial derivatives</b>        |           |                |                           |                         |                        |                          |               |                     |
| 3.1 With underlying securities         |           |                |                           |                         |                        |                          |               |                     |
| - Options                              |           |                |                           |                         |                        |                          |               |                     |
| + Long positions                       | -         | -              | -                         | -                       | -                      | -                        | -             | -                   |
| + Short positions                      | -         | -              | -                         | -                       | -                      | -                        | -             | -                   |
| - Other                                |           |                |                           |                         |                        |                          |               |                     |
| + Long positions                       | -         | -              | -                         | -                       | -                      | -                        | -             | -                   |
| + Short positions                      | -         | -              | -                         | -                       | -                      | -                        | -             | -                   |
| 3.2 Without underlying securities      |           |                |                           |                         |                        |                          |               |                     |
| - Options                              |           |                |                           |                         |                        |                          |               |                     |
| + Long positions                       | -         | -              | -                         | -                       | -                      | -                        | -             | -                   |
| + Short positions                      | -         | -              | -                         | -                       | -                      | -                        | -             | -                   |
| - Other                                |           |                |                           |                         |                        |                          |               |                     |
| + Long positions                       | -         | 51,928         | 4,203                     | 9,022                   | 1,246                  | -                        | -             | -                   |
| + Short positions                      | -         | 50,385         | 4,203                     | 9,022                   | 1,246                  | -                        | -             | -                   |

## 2. Supervisory trading book: breakdown of exposures in equity securities and stock indices for the main countries of the listing market

| Type of transaction/Listing index                                         | Listed |               |       | Unlisted |
|---------------------------------------------------------------------------|--------|---------------|-------|----------|
|                                                                           | Italy  | United States | Other |          |
| <b>A. Equity securities</b>                                               |        |               |       |          |
| long positions                                                            | 2,185  | 1             | 2,070 |          |
| short positions                                                           |        |               |       |          |
| <b>B. Purchase/sale transactions not yet settled in equity securities</b> |        |               |       |          |
| long positions                                                            |        |               |       |          |
| short positions                                                           |        |               |       |          |
| <b>C. Other derivatives on equity securities</b>                          |        |               |       |          |
| long positions                                                            | 43     |               |       |          |
| short positions                                                           |        |               | 6,634 |          |
| <b>D. Share index derivatives</b>                                         |        |               |       |          |
| long positions                                                            |        |               |       |          |
| short positions                                                           |        |               |       |          |

## 3. Supervisory trading book: internal models and other methodologies for sensitivity analysis

The monitoring carried out up to the third quarter on the supervisory trading book shows a structure with low market risks. The Monte Carlo simulation VaR at 31.12.2023 amounted to Euro 213 thousand, representing 0.85% of the trading book.

### 1.2.2 Interest rate risk and price risk - Banking book

#### Qualitative information

##### **A. General aspects, management processes and measurement methods for interest rate risk and price risk**

Interest rate risk is measured by the risk management function. The activity is carried out for the Bank, which covers almost the entire banking book. All of the commercial activity related to the transformation of maturities of assets and liabilities in the financial statements, the securities portfolio, treasury operations and the respective hedging derivatives are monitored using Asset and Liability Management (A.L.M.) methodologies through the ERMAS5 application.

The static analysis, currently in place, makes it possible to measure the impacts produced by changes in the interest rate structure expressed in terms of both the change in the economic value of assets and the net interest income. The results of the banking book for financial statements purposes are presented here, excluding from the analysis financial instruments in the supervisory trading book.

The variability of the interest margin, determined by positive and negative changes in rates over a 365-day time horizon, is estimated using dynamic margin simulation. 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 and 2023.

In this context of rising rates, Banco Desio has put in place a strategy to hedge its assets, through the subscription of hedging derivative financial instruments.

In November, the bank discontinued some of the derivatives used in the Macro Fair Value Hedge relationships for a notional amount of Euro 100 million.

The discontinued derivatives were therefore closed.

It should also be noted that, in 2023, the Bank joined the Clearing service for OTC interest rate derivatives by identifying the central counterparty (Eurex Clearing) for clearing derivative transactions.

For further details, see "Section 5 - Hedging derivatives - Item 50 of the Notes to the Financial Statements".

## Quantitative information

### 1. Banking book: breakdown by residual maturity (repricing date) of financial assets and liabilities EURO

| Type/Residual maturity                         | On demand        | Up to 3 months   | Over 3 months to 6 months | Over 6 months to 1 year | Over 1 year to 5 years | Over 5 years to 10 years | Over 10 years    | Indefinite maturity |
|------------------------------------------------|------------------|------------------|---------------------------|-------------------------|------------------------|--------------------------|------------------|---------------------|
| <b>1. On-balance sheet assets</b>              | <b>2,955,050</b> | <b>4,661,858</b> | <b>1,259,521</b>          | <b>946,411</b>          | <b>3,579,927</b>       | <b>2,484,602</b>         | <b>1,334,947</b> | -                   |
| 1.1 Debt securities                            | 381              | 441,768          | 899,900                   | 467,543                 | 983,375                | 950,175                  | 19,756           | -                   |
| - with early redemption option                 | 381              | 123,172          | 9,302                     | 25,485                  | 277,731                | 44,303                   | -                | -                   |
| - other                                        | -                | 318,596          | 890,598                   | 442,058                 | 705,644                | 905,872                  | 19,756           | -                   |
| 1.2 Loans with banks                           | 1,763,406        | 58,568           | -                         | -                       | -                      | 897                      | -                | -                   |
| 1.3 Loans to customers                         | 1,191,263        | 4,161,522        | 359,621                   | 478,868                 | 2,596,552              | 1,533,530                | 1,315,191        | -                   |
| - current account                              | 242,109          | 641,469          | 434                       | 278                     | 3,254                  | 551                      | 14               | -                   |
| - other loans                                  | 949,154          | 3,520,053        | 359,187                   | 478,590                 | 2,593,298              | 1,532,979                | 1,315,177        | -                   |
| - with early redemption option                 | 422,550          | 2,936,612        | 299,649                   | 394,781                 | 1,947,951              | 1,116,016                | 1,314,850        | -                   |
| - other                                        | 526,604          | 583,441          | 59,538                    | 83,809                  | 645,347                | 416,963                  | 327              | -                   |
| <b>2. On-balance sheet liabilities</b>         | <b>8,858,905</b> | <b>3,265,808</b> | <b>535,158</b>            | <b>1,299,038</b>        | <b>2,388,945</b>       | <b>177,430</b>           | <b>169,342</b>   | -                   |
| 2.1 Payables to customers                      | 8,834,832        | 2,228,670        | 418,546                   | 163,305                 | 343,077                | 78,638                   | 169,342          | -                   |
| - current account                              | 8,718,135        | 1,616,774        | 403,156                   | 137,094                 | 80,890                 | -                        | -                | -                   |
| - other payables                               | 116,697          | 611,896          | 15,390                    | 26,211                  | 262,187                | 78,638                   | 169,342          | -                   |
| - with early redemption option                 | -                | -                | -                         | -                       | -                      | -                        | -                | -                   |
| - other                                        | 116,697          | 611,896          | 15,390                    | 26,211                  | 262,187                | 78,638                   | 169,342          | -                   |
| 2.2 Payables to banks                          | 23,720           | 1,021,280        | 100,025                   | 458,165                 | 345,208                | -                        | -                | -                   |
| - current account                              | 23,720           | -                | -                         | -                       | -                      | -                        | -                | -                   |
| - other payables                               | -                | 1,021,280        | 100,025                   | 458,165                 | 345,208                | -                        | -                | -                   |
| 2.3 Debt securities                            | 353              | 15,858           | 16,587                    | 677,568                 | 1,700,660              | 98,792                   | -                | -                   |
| - with early redemption option                 | -                | -                | -                         | 62,544                  | -                      | -                        | -                | -                   |
| - other                                        | 353              | 15,858           | 16,587                    | 615,024                 | 1,700,660              | 98,792                   | -                | -                   |
| 2.4 Other liabilities                          | -                | -                | -                         | -                       | -                      | -                        | -                | -                   |
| - with early redemption option                 | -                | -                | -                         | -                       | -                      | -                        | -                | -                   |
| - other                                        | -                | -                | -                         | -                       | -                      | -                        | -                | -                   |
| <b>3. Financial derivatives</b>                | -                | <b>805,804</b>   | <b>165,694</b>            | <b>2,235</b>            | <b>(317,917)</b>       | <b>(489,781)</b>         | <b>(166,035)</b> | -                   |
| 3.1 With underlying securities                 | -                | -                | -                         | -                       | -                      | -                        | -                | -                   |
| - Options                                      | -                | -                | -                         | -                       | -                      | -                        | -                | -                   |
| + Long positions                               | -                | -                | -                         | -                       | -                      | -                        | -                | -                   |
| + Short positions                              | -                | -                | -                         | -                       | -                      | -                        | -                | -                   |
| - Other                                        | -                | -                | -                         | -                       | -                      | -                        | -                | -                   |
| + Long positions                               | -                | -                | -                         | -                       | -                      | -                        | -                | -                   |
| + Short positions                              | -                | -                | -                         | -                       | -                      | -                        | -                | -                   |
| 3.2 Without underlying securities              | -                | -                | -                         | -                       | -                      | -                        | -                | -                   |
| - Options                                      | -                | -                | -                         | -                       | -                      | -                        | -                | -                   |
| + Long positions                               | -                | 812              | 1,365                     | 2,235                   | 22,083                 | 25,219                   | 33,965           | -                   |
| + Short positions                              | -                | 85,008           | 671                       | -                       | -                      | -                        | -                | -                   |
| - Other derivatives                            | -                | -                | -                         | -                       | -                      | -                        | -                | -                   |
| + Long positions                               | -                | 890,000          | 165,000                   | -                       | -                      | -                        | -                | -                   |
| + Short positions                              | -                | -                | -                         | -                       | 340,000                | 515,000                  | 200,000          | -                   |
| <b>4. Other off-balance sheet transactions</b> | -                | -                | -                         | -                       | -                      | -                        | -                | -                   |
| + Long positions                               | 202,439          | -                | -                         | -                       | -                      | -                        | -                | -                   |
| + Short positions                              | 202,439          | -                | -                         | -                       | -                      | -                        | -                | -                   |

# 1. Banking book: breakdown by residual maturity (repricing date) of financial assets and liabilities

## OTHER CURRENCIES

| Type/Residual maturity                 | On demand     | Up to 3 months | Over 3 months to 6 months | Over 6 months to 1 year | Over 1 year to 5 years | Over 5 years to 10 years | Over 10 years | Indefinite maturity |
|----------------------------------------|---------------|----------------|---------------------------|-------------------------|------------------------|--------------------------|---------------|---------------------|
| <b>1. On-balance sheet assets</b>      | <b>15,682</b> | <b>35,071</b>  | <b>2,891</b>              | <b>5,610</b>            | <b>255</b>             | <b>318</b>               | <b>-</b>      | <b>-</b>            |
| 1.1 Debt securities                    | -             | 573            | -                         | -                       | -                      | -                        | -             | -                   |
| - with early redemption option         | -             | -              | -                         | -                       | -                      | -                        | -             | -                   |
| - other                                | -             | 573            | -                         | -                       | -                      | -                        | -             | -                   |
| 1.2 Loans with banks                   | 15,650        | 18,136         | 2,807                     | 5,578                   | -                      | -                        | -             | -                   |
| 1.3 Loans to customers                 | 32            | 16,362         | 84                        | 32                      | 255                    | 318                      | -             | -                   |
| - current accounts                     | -             | -              | -                         | -                       | -                      | -                        | -             | -                   |
| - other loans                          | 32            | 16,362         | 84                        | 32                      | 255                    | 318                      | -             | -                   |
| - with early redemption option         | 32            | -              | 32                        | 32                      | 255                    | 318                      | -             | -                   |
| - other                                | -             | 16,362         | 52                        | -                       | -                      | -                        | -             | -                   |
| <b>2. On-balance sheet liabilities</b> | <b>51,410</b> | <b>92</b>      | <b>3,266</b>              | <b>5,535</b>            | <b>-</b>               | <b>-</b>                 | <b>-</b>      | <b>-</b>            |
| 2.1 Payables to customers              | 49,743        | 92             | 3,266                     | 5,535                   | -                      | -                        | -             | -                   |
| - current accounts                     | 49,743        | 92             | 3,266                     | 5,535                   | -                      | -                        | -             | -                   |
| - other payables                       | -             | -              | -                         | -                       | -                      | -                        | -             | -                   |
| - with early redemption option         | -             | -              | -                         | -                       | -                      | -                        | -             | -                   |
| - other                                | -             | -              | -                         | -                       | -                      | -                        | -             | -                   |
| 2.2 Payables to banks                  | 1,667         | -              | -                         | -                       | -                      | -                        | -             | -                   |
| - current accounts                     | 1,667         | -              | -                         | -                       | -                      | -                        | -             | -                   |
| - other payables                       | -             | -              | -                         | -                       | -                      | -                        | -             | -                   |
| 2.3 Debt securities                    | -             | -              | -                         | -                       | -                      | -                        | -             | -                   |
| - with early redemption option         | -             | -              | -                         | -                       | -                      | -                        | -             | -                   |
| - other                                | -             | -              | -                         | -                       | -                      | -                        | -             | -                   |
| 2.4 Other liabilities                  | -             | -              | -                         | -                       | -                      | -                        | -             | -                   |
| - with early redemption option         | -             | -              | -                         | -                       | -                      | -                        | -             | -                   |
| - other                                | -             | -              | -                         | -                       | -                      | -                        | -             | -                   |
| <b>3. Financial derivatives</b>        | <b>-</b>      | <b>-</b>       | <b>-</b>                  | <b>-</b>                | <b>-</b>               | <b>-</b>                 | <b>-</b>      | <b>-</b>            |
| 3.1 With underlying securities         | -             | -              | -                         | -                       | -                      | -                        | -             | -                   |
| - Options                              | -             | -              | -                         | -                       | -                      | -                        | -             | -                   |
| + Long positions                       | -             | -              | -                         | -                       | -                      | -                        | -             | -                   |
| + Short positions                      | -             | -              | -                         | -                       | -                      | -                        | -             | -                   |
| - Other derivatives                    | -             | -              | -                         | -                       | -                      | -                        | -             | -                   |
| + Long positions                       | -             | -              | -                         | -                       | -                      | -                        | -             | -                   |
| + Short positions                      | -             | -              | -                         | -                       | -                      | -                        | -             | -                   |
| 3.2 Without underlying                 | -             | -              | -                         | -                       | -                      | -                        | -             | -                   |
| - Options                              | -             | -              | -                         | -                       | -                      | -                        | -             | -                   |
| + Long positions                       | -             | -              | -                         | -                       | -                      | -                        | -             | -                   |
| + Short positions                      | -             | -              | -                         | -                       | -                      | -                        | -             | -                   |
| - Other derivatives                    | -             | -              | -                         | -                       | -                      | -                        | -             | -                   |
| + Long positions                       | -             | -              | -                         | -                       | -                      | -                        | -             | -                   |
| + Short positions                      | -             | -              | -                         | -                       | -                      | -                        | -             | -                   |
| <b>4. Other off-balance sheet</b>      | <b>-</b>      | <b>-</b>       | <b>-</b>                  | <b>-</b>                | <b>-</b>               | <b>-</b>                 | <b>-</b>      | <b>-</b>            |
| + Long positions                       | -             | -              | -                         | -                       | -                      | -                        | -             | -                   |
| + Short positions                      | -             | -              | -                         | -                       | -                      | -                        | -             | -                   |

## **2. Banking book - internal models and other methodologies for sensitivity analysis**

The Bank's management and strategic approach is aimed at considering the volatility of net interest income and the overall economic value of own funds.

The risk exposure is not critical, remaining within the limit defined in the prudential supervisory regulations. The breakdown of items in the financial statements in terms of maturity date and repricing, however, shows some peculiarities arising from the current market context, which continues to record an increase in demand and short-term inflows; all this has led to a physiological decrease in the average duration of liabilities, while assets have not undergone any substantial changes in terms of average duration.

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

With the aim of refining these analyses by taking into account the actual repricing speed of items with no contractual maturity, the adoption of a behavioural estimation model for demand items was approved to replace the model in Annex C of Circular No. 285. The model was validated by the Group's internal validation function.

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, applying a methodology in line with the approach described in Annex C of Circular 285.

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.

The Bank has implemented Fair Value hedging transactions with macro-hedge and micro-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, 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. With reference to Italian banks only, exchange rate transactions are handled by the Parent Company's Finance Area.

Exchange rate risk is managed through operational limits both by currency area and by concentration on each individual currency. In addition, daily and annual operational stop/loss limits are set.

##### **B. Exchange rate risk hedging activities**

The Group's primary objective is to prudently manage exchange rate risk, always taking into account the possibility of seizing market opportunities, and therefore transactions involving exchange rate risk are managed through appropriate hedging strategies.

## Quantitative information

### 1. Breakdown by currency of denomination of assets and liabilities and derivatives

| Items                           | Currencies    |                |              |              |                 |                  |
|---------------------------------|---------------|----------------|--------------|--------------|-----------------|------------------|
|                                 | US Dollar     | Pound sterling | Swiss Franc  | Yuan         | Canadian Dollar | Other currencies |
| <b>A. Financial assets</b>      | <b>48,968</b> | <b>2,001</b>   | <b>2,466</b> | <b>417</b>   | <b>57</b>       | <b>6,058</b>     |
| A.1 Debt securities             | -             | 573            | -            | -            | -               | -                |
| A.2 Equity securities           | 140           | -              | -            | -            | -               | -                |
| A.3 Loans with banks            | 36,157        | 317            | 1,210        | 417          | 57              | 4,014            |
| A.4 Loans to customers          | 12,671        | 1,111          | 1,256        | -            | -               | 2,044            |
| A.5 Other financial assets      | -             | -              | -            | -            | -               | -                |
| <b>B. Other assets</b>          | <b>743</b>    | <b>372</b>     | <b>585</b>   | <b>113</b>   | <b>152</b>      | <b>263</b>       |
| <b>C. Financial liabilities</b> | <b>49,914</b> | <b>2,750</b>   | <b>2,495</b> | <b>410</b>   | <b>464</b>      | <b>4,269</b>     |
| C.1 Payables to banks           | -             | -              | -            | -            | -               | 1,667            |
| C.2 Payables to customers       | 49,914        | 2,750          | 2,495        | 410          | 464             | 2,602            |
| C.3 Debt securities             | -             | -              | -            | -            | -               | -                |
| C.4 Other financial liabilities | -             | -              | -            | -            | -               | -                |
| <b>D. Other liabilities</b>     | <b>595</b>    | <b>-</b>       | <b>-</b>     | <b>-</b>     | <b>-</b>        | <b>-</b>         |
| <b>E. Financial derivatives</b> | <b>96,588</b> | <b>15,061</b>  | <b>5,564</b> | <b>4,223</b> | <b>3,840</b>    | <b>5,980</b>     |
| - Options                       | -             | -              | -            | -            | -               | -                |
| + Long positions                | -             | -              | -            | -            | -               | -                |
| + Short positions               | -             | -              | -            | -            | -               | -                |
| - Other derivatives             | -             | -              | -            | -            | -               | -                |
| + Long positions                | 49,002        | 8,198          | 2,830        | 2,091        | 2,117           | 2,161            |
| + Short positions               | 47,586        | 6,863          | 2,734        | 2,132        | 1,723           | 3,819            |
| <b>Total assets</b>             | <b>98,713</b> | <b>10,571</b>  | <b>5,881</b> | <b>2,621</b> | <b>2,326</b>    | <b>8,482</b>     |
| <b>Total liabilities</b>        | <b>98,095</b> | <b>9,613</b>   | <b>5,229</b> | <b>2,542</b> | <b>2,187</b>    | <b>8,088</b>     |
| <b>Imbalance (+/-)</b>          | <b>(618)</b>  | <b>(958)</b>   | <b>(652)</b> | <b>(79)</b>  | <b>(139)</b>    | <b>(394)</b>     |

### 2. Internal models and other methodologies for sensitivity analysis

The exchange rate risk profile assumed by the Group is insignificant, considering the currency exposure of the items present and the related hedges implemented through derivative financial instruments.

### 1.3 DERIVATIVE INSTRUMENTS AND RELATED HEDGING POLICIES

#### 1.3.1 Trading derivative instruments

##### A. Financial derivatives

##### A.1 Trading financial derivatives: period-end notional values

| Underlying assets/Types of derivatives | Total 31.12.2023       |                                |                            |                   | Total 31.12.2022       |                                |                            |                   |
|----------------------------------------|------------------------|--------------------------------|----------------------------|-------------------|------------------------|--------------------------------|----------------------------|-------------------|
|                                        | Over the counter       |                                |                            | Organised markets | Over the counter       |                                |                            | Organised markets |
|                                        | Central counterparties | Without central counterparties |                            |                   | Central counterparties | Without central counterparties |                            |                   |
|                                        |                        | With netting agreements        | Without netting agreements |                   |                        | With netting agreements        | Without netting agreements |                   |
| 1. Debt securities and interest rates  | 25,325                 | -                              | 26,627                     | -                 | -                      | 26,762                         | 37,115                     | -                 |
| a) Options                             | -                      | -                              | -                          | -                 | -                      | -                              | -                          | -                 |
| b) Swaps                               | 25,325                 | -                              | 26,627                     | -                 | -                      | 26,762                         | 37,115                     | -                 |
| c) Forwards                            | -                      | -                              | -                          | -                 | -                      | -                              | -                          | -                 |
| d) Futures                             | -                      | -                              | -                          | -                 | -                      | -                              | -                          | -                 |
| e) Other                               | -                      | -                              | -                          | -                 | -                      | -                              | -                          | -                 |
| 2. Equity securities and stock indices | -                      | -                              | 43                         | -                 | -                      | -                              | 24                         | -                 |
| a) Options                             | -                      | -                              | 43                         | -                 | -                      | -                              | 24                         | -                 |
| b) Swaps                               | -                      | -                              | -                          | -                 | -                      | -                              | -                          | -                 |
| c) Forwards                            | -                      | -                              | -                          | -                 | -                      | -                              | -                          | -                 |
| d) Futures                             | -                      | -                              | -                          | -                 | -                      | -                              | -                          | -                 |
| e) Other                               | -                      | -                              | -                          | -                 | -                      | -                              | -                          | -                 |
| 3. Currencies and gold                 | -                      | -                              | 114,621                    | -                 | -                      | 9,754                          | 130,303                    | -                 |
| a) Options                             | -                      | -                              | -                          | -                 | -                      | -                              | -                          | -                 |
| b) Swaps                               | -                      | -                              | -                          | -                 | -                      | -                              | -                          | -                 |
| c) Forwards                            | -                      | -                              | 114,621                    | -                 | -                      | 9,754                          | 130,303                    | -                 |
| d) Futures                             | -                      | -                              | -                          | -                 | -                      | -                              | -                          | -                 |
| e) Other                               | -                      | -                              | -                          | -                 | -                      | -                              | -                          | -                 |
| 4. Goods                               | -                      | -                              | -                          | -                 | -                      | -                              | -                          | -                 |
| 5. Other                               | -                      | -                              | -                          | -                 | -                      | -                              | -                          | -                 |
| <b>Total</b>                           | <b>25,325</b>          | <b>-</b>                       | <b>141,291</b>             | <b>-</b>          | <b>-</b>               | <b>36,516</b>                  | <b>167,442</b>             | <b>-</b>          |

## A.2 Trading financial derivatives: positive and negative gross fair value - breakdown by product

| Types of derivatives          | 31.12.2023                     |                         |                            |                   | 31.12.2022                     |                         |                            |                   |
|-------------------------------|--------------------------------|-------------------------|----------------------------|-------------------|--------------------------------|-------------------------|----------------------------|-------------------|
|                               | Over the counter               |                         |                            |                   | Over the counter               |                         |                            |                   |
|                               | Without central counterparties |                         |                            | Organised markets | Without central counterparties |                         |                            | Organised markets |
|                               | Central counterparties         | With netting agreements | Without netting agreements |                   | Central counterparties         | With netting agreements | Without netting agreements |                   |
| <b>1. Positive fair value</b> |                                |                         |                            |                   |                                |                         |                            |                   |
| a) Options                    | -                              | -                       | 43                         | -                 | -                              | -                       | 24                         | -                 |
| b) Interest rate swaps        | 682                            | -                       | 218                        | -                 | -                              | 1,652                   | 1                          | -                 |
| c) Cross currency swaps       | -                              | -                       | -                          | -                 | -                              | -                       | -                          | -                 |
| d) Equity swaps               | -                              | -                       | -                          | -                 | -                              | -                       | -                          | -                 |
| e) Forwards                   | -                              | -                       | 752                        | -                 | -                              | 133                     | 830                        | -                 |
| f) Futures                    | -                              | -                       | -                          | -                 | -                              | -                       | -                          | -                 |
| g) Other                      | -                              | -                       | -                          | -                 | -                              | -                       | -                          | -                 |
| <b>Total</b>                  | <b>682</b>                     | <b>-</b>                | <b>1,013</b>               | <b>-</b>          | <b>-</b>                       | <b>1,785</b>            | <b>855</b>                 | <b>-</b>          |
| <b>2. Negative fair value</b> |                                |                         |                            |                   |                                |                         |                            |                   |
| a) Options                    | -                              | -                       | -                          | -                 | -                              | -                       | -                          | -                 |
| b) Interest rate swaps        | 218                            | -                       | 843                        | -                 | -                              | 153                     | 3,079                      | -                 |
| c) Cross currency swaps       | -                              | -                       | -                          | -                 | -                              | -                       | -                          | -                 |
| d) Equity swaps               | -                              | -                       | -                          | -                 | -                              | -                       | -                          | -                 |
| e) Forwards                   | -                              | -                       | 689                        | -                 | -                              | 227                     | 671                        | -                 |
| f) Futures                    | -                              | -                       | -                          | -                 | -                              | -                       | -                          | -                 |
| g) Other                      | -                              | -                       | -                          | -                 | -                              | -                       | -                          | -                 |
| <b>Total</b>                  | <b>218</b>                     | <b>-</b>                | <b>1,532</b>               | <b>-</b>          | <b>-</b>                       | <b>380</b>              | <b>3,750</b>               | <b>-</b>          |

### A.3 OTC trading financial derivatives - notional values, positive and negative gross fair value by counterparty

| Underlying assets                                  | Central counterparties | Banks  | Other financial companies | Other entities |
|----------------------------------------------------|------------------------|--------|---------------------------|----------------|
| <b>Contracts not covered by netting agreements</b> |                        |        |                           |                |
| <b>1) Debt securities and interest rates</b>       |                        |        |                           |                |
| - notional value                                   | X                      | 1,302  | -                         | 25,325         |
| - positive fair value                              | X                      | -      | -                         | 218            |
| - negative fair value                              | X                      | 155    | -                         | 688            |
| <b>2) Equity securities and stock indices</b>      |                        |        |                           |                |
| - notional value                                   | X                      | -      | 14                        | 29             |
| - positive fair value                              | X                      | -      | 14                        | 29             |
| - negative fair value                              | X                      | -      | -                         | -              |
| <b>3) Currencies and gold</b>                      |                        |        |                           |                |
| - notional value                                   | X                      | 58,368 | 29,372                    | 26,881         |
| - positive fair value                              | X                      | 460    | 140                       | 152            |
| - negative fair value                              | X                      | 267    | 23                        | 399            |
| <b>4) Goods</b>                                    |                        |        |                           |                |
| - notional value                                   | X                      | -      | -                         | -              |
| - positive fair value                              | X                      | -      | -                         | -              |
| - negative fair value                              | X                      | -      | -                         | -              |
| <b>5) Other</b>                                    |                        |        |                           |                |
| - notional value                                   | X                      | -      | -                         | -              |
| - positive fair value                              | X                      | -      | -                         | -              |
| - negative fair value                              | X                      | -      | -                         | -              |
| <b>Contracts covered by netting agreements</b>     |                        |        |                           |                |
| <b>1) Debt securities and interest rates</b>       |                        |        |                           |                |
| - notional value                                   | 25,325                 | -      | -                         | -              |
| - positive fair value                              | 682                    | -      | -                         | -              |
| - negative fair value                              | 218                    | -      | -                         | -              |
| <b>2) Equity securities and stock indices</b>      | -                      |        |                           |                |
| - notional value                                   | -                      | -      | -                         | -              |
| - positive fair value                              | -                      | -      | -                         | -              |
| - negative fair value                              | -                      | -      | -                         | -              |
| <b>3) Currencies and gold</b>                      | -                      |        |                           |                |
| - notional value                                   | -                      | -      | -                         | -              |
| - positive fair value                              | -                      | -      | -                         | -              |
| - negative fair value                              | -                      | -      | -                         | -              |
| <b>4) Goods</b>                                    | -                      |        |                           |                |
| - notional value                                   | -                      | -      | -                         | -              |
| - positive fair value                              | -                      | -      | -                         | -              |
| - negative fair value                              | -                      | -      | -                         | -              |
| <b>5) Other</b>                                    | -                      |        |                           |                |
| - notional value                                   | -                      | -      | -                         | -              |
| - positive fair value                              | -                      | -      | -                         | -              |
| - negative fair value                              | -                      | -      | -                         | -              |

#### A.4 Residual life of OTC financial derivatives: notional values

| Underlying/Residual life                                         |                   | Up to 1<br>year | Over 1<br>year to 5<br>years | Over 5<br>years | Total          |
|------------------------------------------------------------------|-------------------|-----------------|------------------------------|-----------------|----------------|
| A.1 Financial derivatives on debt securities and interest rates  |                   | 12,311          | 33,093                       | 6,548           | 51,952         |
| A.2 Financial derivatives on equity securities and stock indices |                   | -               | 43                           | -               | 43             |
| A.3 Financial derivatives on currencies and gold                 |                   | 112,128         | 2,493                        | -               | 114,621        |
| A.4 Financial derivatives on goods                               |                   | -               | -                            | -               | -              |
| A.5 Other financial derivatives                                  |                   | -               | -                            | -               | -              |
| <b>Total</b>                                                     | <b>31.12.2023</b> | <b>124,439</b>  | <b>35,629</b>                | <b>6,548</b>    | <b>166,616</b> |
| <b>Total</b>                                                     | <b>31.12.2022</b> | <b>149,382</b>  | <b>36,919</b>                | <b>17,657</b>   | <b>203,958</b> |

### 1.3.2 Accounting hedges

#### Qualitative information

##### A. Fair value hedging

The Group has put in place fair value hedging transactions with a micro-hedge and macro-hedge approach to manage the interest rate risk of the banking book.

##### B. Cash flow hedging

With a view to reducing exposure to adverse changes in expected cash flows, the Bank carries out, when required, cash flow hedging; the objective is to stabilise the cash flows of the hedged instrument with the flows of the hedging instrument.

##### D. Hedging instruments

Derivatives are used as hedging instruments, represented by interest rate swaps used to hedge interest rate risk only.

##### E. Hedged items

To date, the hedged instruments relate to the following categories:

- liabilities (bonds issued) through specific micro-hedges
- fixed-rate investments (bonds) through specific micro-hedges
- fixed-rate loans (financing) through macro-hedges

Derivatives are used as hedging instruments, represented by interest rate swaps used to hedge interest rate risk only.

Banco Desio has set up a model capable of managing hedge accounting in line with the reference regulations dictated by international accounting standards. The methodology used to perform the effectiveness tests is the Dollar Offset Method (hedge ratio) on a cumulative basis.

## Quantitative information

### A. Hedging financial derivatives

#### A.1 Hedging financial derivatives: period-end notional values

| Underlying assets/<br>Types of<br>derivatives | Total 31.12.2023               |                            |                               |                      | Total 31.12.2022               |                            |                               |                      |
|-----------------------------------------------|--------------------------------|----------------------------|-------------------------------|----------------------|--------------------------------|----------------------------|-------------------------------|----------------------|
|                                               | Over the counter               |                            |                               | Organised<br>markets | Over the counter               |                            |                               | Organised<br>markets |
|                                               | Without central counterparties |                            |                               |                      | Without central counterparties |                            |                               |                      |
|                                               | Central<br>counterparties      | With netting<br>agreements | Without netting<br>agreements |                      | Central<br>counterparties      | With netting<br>agreements | Without netting<br>agreements |                      |
| 1. Debt securities and interest rates         | 1,055,000                      | -                          | -                             | -                    | -                              | -                          | 855,000                       | -                    |
| a) Options                                    | -                              | -                          | -                             | -                    | -                              | -                          | -                             | -                    |
| b) Swaps                                      | 1,055,000                      | -                          | -                             | -                    | -                              | -                          | 855,000                       | -                    |
| c) Forwards                                   | -                              | -                          | -                             | -                    | -                              | -                          | -                             | -                    |
| d) Futures                                    | -                              | -                          | -                             | -                    | -                              | -                          | -                             | -                    |
| e) Other                                      | -                              | -                          | -                             | -                    | -                              | -                          | -                             | -                    |
| 2. Equity securities and stock indices        | -                              | -                          | -                             | -                    | -                              | -                          | -                             | -                    |
| a) Options                                    | -                              | -                          | -                             | -                    | -                              | -                          | -                             | -                    |
| b) Swaps                                      | -                              | -                          | -                             | -                    | -                              | -                          | -                             | -                    |
| c) Forwards                                   | -                              | -                          | -                             | -                    | -                              | -                          | -                             | -                    |
| d) Futures                                    | -                              | -                          | -                             | -                    | -                              | -                          | -                             | -                    |
| e) Other                                      | -                              | -                          | -                             | -                    | -                              | -                          | -                             | -                    |
| 3. Currencies and gold                        | -                              | -                          | -                             | -                    | -                              | -                          | -                             | -                    |
| a) Options                                    | -                              | -                          | -                             | -                    | -                              | -                          | -                             | -                    |
| b) Swaps                                      | -                              | -                          | -                             | -                    | -                              | -                          | -                             | -                    |
| c) Forwards                                   | -                              | -                          | -                             | -                    | -                              | -                          | -                             | -                    |
| d) Futures                                    | -                              | -                          | -                             | -                    | -                              | -                          | -                             | -                    |
| e) Other                                      | -                              | -                          | -                             | -                    | -                              | -                          | -                             | -                    |
| 4. Goods                                      | -                              | -                          | -                             | -                    | -                              | -                          | -                             | -                    |
| 5. Other                                      | -                              | -                          | -                             | -                    | -                              | -                          | -                             | -                    |
| <b>Total</b>                                  | <b>1,055,000</b>               | <b>-</b>                   | <b>-</b>                      | <b>-</b>             | <b>-</b>                       | <b>-</b>                   | <b>855,000</b>                | <b>-</b>             |

## A.2 Hedging financial derivatives: positive and negative gross fair value - breakdown by product

|                         | Positive and negative fair value |                         |                                |                   |                        |                         |                            |                   | Change in value used to calculate hedge effectiveness |            |
|-------------------------|----------------------------------|-------------------------|--------------------------------|-------------------|------------------------|-------------------------|----------------------------|-------------------|-------------------------------------------------------|------------|
| Types of derivatives    | 31.12.2023                       |                         |                                |                   | 31.12.2022             |                         |                            |                   | 31.12.2023                                            | 31.12.2022 |
|                         | Over the counter                 |                         |                                | Organised markets | Over the counter       |                         |                            | Organised markets |                                                       |            |
|                         | Without central counterparties   |                         | Without central counterparties |                   |                        |                         |                            |                   |                                                       |            |
|                         | Central counterparties           | With netting agreements | Without netting agreements     |                   | Central counterparties | With netting agreements | Without netting agreements |                   |                                                       |            |
| Positive fair value     |                                  |                         |                                |                   |                        |                         |                            |                   |                                                       |            |
| a) Options              | -                                | -                       | -                              | -                 | -                      | -                       | -                          | -                 | -                                                     | -          |
| b) Interest rate swaps  | 21,431                           | -                       | -                              | -                 | -                      | 59,099                  | -                          | -                 | 21,431                                                | 59,099     |
| c) Cross currency swaps | -                                | -                       | -                              | -                 | -                      | -                       | -                          | -                 | -                                                     | -          |
| d) Equity swaps         | -                                | -                       | -                              | -                 | -                      | -                       | -                          | -                 | -                                                     | -          |
| e) Forwards             | -                                | -                       | -                              | -                 | -                      | -                       | -                          | -                 | -                                                     | -          |
| f) Futures              | -                                | -                       | -                              | -                 | -                      | -                       | -                          | -                 | -                                                     | -          |
| g) Other                | -                                | -                       | -                              | -                 | -                      | -                       | -                          | -                 | -                                                     | -          |
| Total                   | 21,431                           | -                       | -                              | -                 | -                      | 59,099                  | -                          | -                 | 21,431                                                | 59,099     |
| Negative fair value     |                                  |                         |                                |                   |                        |                         |                            |                   |                                                       |            |
| a) Options              | -                                | -                       | -                              | -                 | -                      | -                       | -                          | -                 | -                                                     | -          |
| b) Interest rate swaps  | 14,556                           | -                       | -                              | -                 | -                      | -                       | -                          | -                 | 14,556                                                | -          |
| c) Cross currency swaps | -                                | -                       | -                              | -                 | -                      | -                       | -                          | -                 | -                                                     | -          |
| d) Equity swaps         | -                                | -                       | -                              | -                 | -                      | -                       | -                          | -                 | -                                                     | -          |
| e) Forwards             | -                                | -                       | -                              | -                 | -                      | -                       | -                          | -                 | -                                                     | -          |
| f) Futures              | -                                | -                       | -                              | -                 | -                      | -                       | -                          | -                 | -                                                     | -          |
| g) Other                | -                                | -                       | -                              | -                 | -                      | -                       | -                          | -                 | -                                                     | -          |
| Total                   | 14,556                           | -                       | -                              | -                 | -                      | -                       | -                          | -                 | 14,556                                                | -          |



**A.3 OTC hedging financial derivatives - notional values, positive and negative gross fair values by counterparty**

| Underlying assets                                  | Central counterparties | Banks | Other financial companies | Other entities |
|----------------------------------------------------|------------------------|-------|---------------------------|----------------|
| <b>Contracts not covered by netting agreements</b> |                        |       |                           |                |
| <b>1) Debt securities and interest rates</b>       |                        |       |                           |                |
| - notional value                                   | X                      | -     | -                         | -              |
| - positive fair value                              | X                      | -     | -                         | -              |
| - negative fair value                              | X                      | -     | -                         | -              |
| <b>2) Equity securities and stock indices</b>      |                        |       |                           |                |
| - notional value                                   | X                      | -     | -                         | -              |
| - positive fair value                              | X                      | -     | -                         | -              |
| - negative fair value                              | X                      | -     | -                         | -              |
| <b>3) Currencies and gold</b>                      |                        |       |                           |                |
| - notional value                                   | X                      | -     | -                         | -              |
| - positive fair value                              | X                      | -     | -                         | -              |
| - negative fair value                              | X                      | -     | -                         | -              |
| <b>4) Goods</b>                                    |                        |       |                           |                |
| - notional value                                   | X                      | -     | -                         | -              |
| - positive fair value                              | X                      | -     | -                         | -              |
| - negative fair value                              | X                      | -     | -                         | -              |
| <b>5) Other</b>                                    |                        |       |                           |                |
| - notional value                                   | X                      | -     | -                         | -              |
| - positive fair value                              | X                      | -     | -                         | -              |
| - negative fair value                              | X                      | -     | -                         | -              |
| <b>Contracts covered by netting agreements</b>     |                        |       |                           |                |
| <b>1) Debt securities and interest rates</b>       |                        |       |                           |                |
| - notional value                                   | 1,055,000              | -     | -                         | -              |
| - positive fair value                              | 21,431                 | -     | -                         | -              |
| - negative fair value                              | 14,556                 | -     | -                         | -              |
| <b>2) Equity securities and stock indices</b>      |                        |       |                           |                |
| - notional value                                   | -                      | -     | -                         | -              |
| - positive fair value                              | -                      | -     | -                         | -              |
| - negative fair value                              | -                      | -     | -                         | -              |
| <b>3) Currencies and gold</b>                      |                        |       |                           |                |
| - notional value                                   | -                      | -     | -                         | -              |
| - positive fair value                              | -                      | -     | -                         | -              |
| - negative fair value                              | -                      | -     | -                         | -              |
| <b>4) Goods</b>                                    |                        |       |                           |                |
| - notional value                                   | -                      | -     | -                         | -              |
| - positive fair value                              | -                      | -     | -                         | -              |
| - negative fair value                              | -                      | -     | -                         | -              |
| <b>5) Other</b>                                    |                        |       |                           |                |
| - notional value                                   | -                      | -     | -                         | -              |
| - positive fair value                              | -                      | -     | -                         | -              |
| - negative fair value                              | -                      | -     | -                         | -              |

#### A.4 Residual life of OTC hedging financial derivatives: notional values

| Underlying/Residual life                                         |                   | Up to 1<br>year | Over 1 year to 5<br>years | Over 5<br>years | Total            |
|------------------------------------------------------------------|-------------------|-----------------|---------------------------|-----------------|------------------|
| A.1 Financial derivatives on debt securities and interest rates  |                   | -               | 340,000                   | 715,000         | 1,055,000        |
| A.2 Financial derivatives on equity securities and stock indices |                   | -               | -                         | -               | -                |
| A.3 Financial derivatives on currencies and gold                 |                   | -               | -                         | -               | -                |
| A.4 Financial derivatives on goods                               |                   | -               | -                         | -               | -                |
| A.5 Other financial derivatives                                  |                   | -               | -                         | -               | -                |
| <b>Total</b>                                                     | <b>31.12.2023</b> | -               | <b>340,000</b>            | <b>715,000</b>  | <b>1,055,000</b> |
| <b>Total</b>                                                     | <b>31.12.2022</b> | -               | -                         | <b>855,000</b>  | <b>855,000</b>   |

### 1.3.3 Other information on derivative instruments (trading and hedging)

#### A. Financial and credit derivatives

##### A.1 OTC financial and credit derivatives: net fair value by counterparty

|                                               | Central counterparties | Banks  | Other financial companies | Other entities |
|-----------------------------------------------|------------------------|--------|---------------------------|----------------|
| <b>A. Financial derivatives</b>               |                        |        |                           |                |
| <b>1) Debt securities and interest rates</b>  |                        |        |                           |                |
| - notional value                              |                        |        |                           |                |
| - positive net fair value                     | 1,080,325              | 1,302  | -                         | 25,325         |
| - negative net fair value                     | 682                    | -      | -                         | 218            |
| <b>2) Equity securities and stock indices</b> | 1,055,218              | 155    | -                         | 688            |
| - notional value                              | -                      | -      | -                         | -              |
| - positive net fair value                     | -                      | -      | 14                        | 29             |
| - negative net fair value                     | -                      | -      | 14                        | 29             |
| <b>3) Currencies and gold</b>                 | -                      | -      | -                         | -              |
| - notional value                              | -                      | -      | -                         | -              |
| - positive net fair value                     | -                      | 58,368 | 29,372                    | 26,881         |
| - negative net fair value                     | -                      | 460    | 140                       | 152            |
| <b>4) Goods</b>                               |                        |        |                           |                |
| - notional value                              | -                      | -      | -                         | -              |
| - positive net fair value                     | -                      | -      | -                         | -              |
| - negative net fair value                     | -                      | -      | -                         | -              |
| <b>5) Other</b>                               |                        |        |                           |                |
| - notional value                              | -                      | -      | -                         | -              |
| - positive net fair value                     | -                      | -      | -                         | -              |
| - negative net fair value                     | -                      | -      | -                         | -              |
| <b>B. Credit derivatives</b>                  |                        |        |                           |                |
| <b>1) Purchase of protection</b>              |                        |        |                           |                |
| - notional value                              | -                      | -      | -                         | -              |
| - positive net fair value                     | -                      | -      | -                         | -              |
| - negative net fair value                     | -                      | -      | -                         | -              |
| <b>2) Sale of protection</b>                  |                        |        |                           |                |
| - notional value                              | -                      | -      | -                         | -              |
| - positive net fair value                     | -                      | -      | -                         | -              |
| - negative net fair value                     | -                      | -      | -                         | -              |

## 1.4. Banking Group - Liquidity risk

### Qualitative information

#### **A. General aspects, management processes and measurement methods for liquidity risk**

Liquidity risk is managed through the Parent Company's Finance Area with the aim of verifying the Group's ability to meet its liquidity needs by avoiding situations of excessive and/or insufficient availability, with the consequent need to invest and/or raise funds at unfavourable rates compared to market rates.

Periodic monitoring and reporting on liquidity risk is the responsibility of the Risk Management function in accordance with the risk tolerance threshold determined in the Liquidity Risk Management Policy. Treasury activities consist of the procurement and allocation of available liquidity through the interbank market, open market operations, repurchase agreements and derivatives.

The objective of operational liquidity management is to ensure the Group's ability to meet expected or unforeseen cash payment commitments in a "going concern" context over a short-term time horizon not exceeding 3 months. The scope of the daily operating liquidity report refers to items with a high level of volatility and a strong impact on the monetary base. The monitoring and control of compliance with operational limits is carried out through the acquisition of information from collection and payment transactions, the management of accounts for services and the trading of financial instruments in proprietary portfolios.

The calculation of counterbalancing capacity makes it possible to supplement the report with all free assets that can be readily used either to be eligible for refinancing with the ECB or to be demobilised. In addition to the application of the haircuts determined by the ECB for eligible securities and A.Ba.Co. financing, appropriate discount factors (broken down by security type, rating, currency) are also prepared for all securities that are not eligible but are nevertheless considered negotiable, appropriately positioned in time intervals.

Further support for liquidity risk management comes from the monitoring of structural liquidity with the primary objective of maintaining an adequate dynamic relationship between medium- to long-term liabilities and assets.

Operations are measured with Asset and Liability Management (A.L.M.) methodologies by means of the ERMAS5 application, which, by developing all the cash flows of operations, makes it possible to assess and manage any liquidity needs of the bank generated by the imbalance of inflows and outflows in the different periods.

The analysis of overall structural liquidity is developed on a monthly basis using the Gap Liquidity Analysis technique, i.e. the imbalances per settlement date of capital flows in the predefined time horizon are highlighted.

In order to assess the impact of adverse events on risk exposure, stress tests are conducted at the consolidated level. Specifically, the events considered are:

- outflow of payable accounts on demand defined as "non-core";
- lack of inflow of contractual items (mortgages, leases, personal loans) and "on demand" due to the increase in non-performing loans;
- impairment of the proprietary securities portfolio (Held to collect and sell "HTCS" and Held to collect "HTC");
- repurchase of bonds issued;
- use of available margins on revocable credit lines (call risk).

For the purposes of the analysis, three types of scenarios are considered:

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

The simulation horizon for all simulated scenarios is 1 month, the period in which the Group will have to cope with the crisis before initiating structural measures.

In relation to funding policy, the Group's funding strategy, given the current financial economic situation, is directed towards a stabilisation of short-term inflows from ordinary customers, favouring retail customers over wholesale customers, and a greater recourse to medium/long-term structural funding operations, through issues of covered bonds, securitisations, securities lending and derivative transactions.

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

During 2023, the parent company repaid Euro 1.6 billion for the natural maturity of two TLTRO III tranches (June and December 2023, respectively). Consequently, the total TLTRO III financing position amounted to Euro 1.445 billion as at 31 December 2023 (with maturities in March 2024 for Euro 1 billion and December 2024 for the remaining Euro 445 million).

The Group's liquidity at 31 December 2023 is largely under control with an LCR indicator of 244.92%.

## Quantitative information

### 1. Breakdown by contractual residual maturity of financial assets and liabilities

Euro

| Items/Time bands                                   | On demand         | Over 1 day to 7 days | Over 7 days to 15 days | Over 15 days to 1 month | Over 1 month to 3 months | Over 3 months to 6 months | Over 6 months to 1 year | Over 1 year to 5 years | Over 5 years     | Indefinite maturity |
|----------------------------------------------------|-------------------|----------------------|------------------------|-------------------------|--------------------------|---------------------------|-------------------------|------------------------|------------------|---------------------|
| <b>A. On-balance sheet assets</b>                  | <b>1,870,622</b>  | <b>22,269</b>        | <b>201,021</b>         | <b>230,150</b>          | <b>1,015,460</b>         | <b>716,800</b>            | <b>1,473,860</b>        | <b>5,664,497</b>       | <b>5,521,961</b> | <b>58,568</b>       |
| A.1 Government securities                          | -                 | -                    | 683                    | -                       | 86,398                   | 69,162                    | 457,938                 | 784,790                | 1,422,000        | -                   |
| A.2 Other debt securities                          | 424               | 46                   | 1,004                  | 8,115                   | 20,501                   | 53,475                    | 14,967                  | 586,242                | 349,593          | -                   |
| A.3 UCITS units                                    | 150,701           | -                    | -                      | -                       | -                        | -                         | -                       | -                      | -                | -                   |
| A.4 Loans                                          | 1,719,497         | 22,223               | 199,334                | 222,035                 | 908,561                  | 594,163                   | 1,000,955               | 4,293,465              | 3,750,368        | 58,568              |
| - Banks                                            | 690,730           | 338                  | -                      | -                       | -                        | -                         | -                       | -                      | 898              | 58,568              |
| - Customers                                        | 1,028,767         | 21,885               | 199,334                | 222,035                 | 908,561                  | 594,163                   | 1,000,955               | 4,293,465              | 3,749,470        | -                   |
| <b>B. On-balance sheet liabilities</b>             | <b>10,155,363</b> | <b>621,297</b>       | <b>23,702</b>          | <b>61,818</b>           | <b>1,297,783</b>         | <b>548,645</b>            | <b>1,244,052</b>        | <b>2,374,975</b>       | <b>407,736</b>   | <b>-</b>            |
| B.1 Deposits and current accounts                  | 10,109,385        | 13,660               | 23,702                 | 59,626                  | 271,636                  | 411,202                   | 142,239                 | 80,530                 | -                | -                   |
| - Banks                                            | 23,720            | -                    | -                      | -                       | -                        | -                         | -                       | -                      | -                | -                   |
| - Customers                                        | 10,085,665        | 13,660               | 23,702                 | 59,626                  | 271,636                  | 411,202                   | 142,239                 | 80,530                 | -                | -                   |
| B.2 Debt securities                                | 342               | -                    | -                      | 2,192                   | 25,863                   | 19,336                    | 626,239                 | 1,689,733              | 160,000          | -                   |
| B.3 Other liabilities                              | 45,636            | 607,637              | -                      | -                       | 1,000,284                | 118,107                   | 475,574                 | 604,712                | 247,736          | -                   |
| <b>C. Off-balance sheet transactions</b>           |                   |                      |                        |                         |                          |                           |                         |                        |                  |                     |
| C.1 Financial derivatives with capital exchange    |                   |                      |                        |                         |                          |                           |                         |                        |                  |                     |
| - Long positions                                   | -                 | 7,898                | 8,349                  | 22,631                  | 29,840                   | 4,258                     | 9,152                   | 1,274                  | -                | -                   |
| - Short positions                                  | -                 | 9,509                | 8,344                  | 22,543                  | 9,475                    | 4,248                     | 9,142                   | 1,316                  | 20,350           | -                   |
| C.2 Financial derivatives without capital exchange |                   |                      |                        |                         |                          |                           |                         |                        |                  |                     |
| - Long positions                                   | 900               | 49                   | 394                    | -                       | 3,129                    | 4,905                     | 7,902                   | -                      | -                | -                   |
| - Short positions                                  | 1,061             | -                    | -                      | -                       | -                        | -                         | -                       | -                      | -                | -                   |
| C.3 Deposits and loans to be received              |                   |                      |                        |                         |                          |                           |                         |                        |                  |                     |
| - Long positions                                   | -                 | -                    | -                      | -                       | -                        | -                         | -                       | -                      | -                | -                   |
| - Short positions                                  | -                 | -                    | -                      | -                       | -                        | -                         | -                       | -                      | -                | -                   |
| C.4 Commitments to disburse funds                  |                   |                      |                        |                         |                          |                           |                         |                        |                  |                     |
| - Long positions                                   | 34,543            | -                    | -                      | 4,816                   | 698                      | 2,238                     | 13                      | 99,278                 | 60,852           | -                   |
| - Short positions                                  | 202,439           | -                    | -                      | -                       | -                        | -                         | -                       | -                      | -                | -                   |
| C.5 Financial guarantees given                     | -                 | -                    | -                      | -                       | -                        | -                         | -                       | -                      | -                | -                   |
| C.6 Financial guarantees received                  | -                 | -                    | -                      | -                       | -                        | -                         | -                       | -                      | -                | -                   |
| C.7 Credit derivatives with capital exchange       |                   |                      |                        |                         |                          |                           |                         |                        |                  |                     |
| - Long positions                                   | -                 | -                    | -                      | -                       | -                        | -                         | -                       | -                      | -                | -                   |
| - Short positions                                  | -                 | -                    | -                      | -                       | -                        | -                         | -                       | -                      | -                | -                   |
| C.8 Credit derivatives without capital exchange    |                   |                      |                        |                         |                          |                           |                         |                        |                  |                     |
| - Long positions                                   | -                 | -                    | -                      | -                       | -                        | -                         | -                       | -                      | -                | -                   |
| - Short positions                                  | -                 | -                    | -                      | -                       | -                        | -                         | -                       | -                      | -                | -                   |

## 1. Breakdown by contractual residual maturity of financial assets and liabilities

### OTHER CURRENCIES

| Items/Time bands                                   | On demand     | Over 1 day to 7 days | Over 7 days to 15 days | Over 15 days to 1 month | Over 1 month to 3 months | Over 3 months to 6 months | Over 6 months to 1 year | Over 1 year to 5 years | Over 5 years | Indefinite maturity |
|----------------------------------------------------|---------------|----------------------|------------------------|-------------------------|--------------------------|---------------------------|-------------------------|------------------------|--------------|---------------------|
| <b>A. On-balance sheet assets</b>                  | <b>15,814</b> | <b>5</b>             | <b>21,004</b>          | <b>8,510</b>            | <b>5,742</b>             | <b>2,945</b>              | <b>5,797</b>            | <b>245</b>             | <b>307</b>   | <b>-</b>            |
| A.1 Government securities                          | -             | -                    | -                      | 576                     | -                        | -                         | -                       | -                      | -            | -                   |
| A.2 Other debt securities                          | -             | -                    | -                      | -                       | -                        | -                         | -                       | -                      | -            | -                   |
| A.3 UCITS units                                    | 138           | -                    | -                      | -                       | -                        | -                         | -                       | -                      | -            | -                   |
| A.4 Loans                                          | 15,676        | 5                    | 21,004                 | 7,934                   | 5,742                    | 2,945                     | 5,797                   | 245                    | 307          | -                   |
| - Banks                                            | 15,676        | 5                    | 18,189                 | -                       | -                        | 2,856                     | 5,760                   | -                      | -            | -                   |
| - Customers                                        | -             | -                    | 2,815                  | 7,934                   | 5,742                    | 89                        | 37                      | 245                    | 307          | -                   |
| <b>B. On-balance sheet liabilities</b>             | <b>51,411</b> | <b>-</b>             | <b>-</b>               | <b>92</b>               | <b>-</b>                 | <b>3,302</b>              | <b>5,654</b>            | <b>-</b>               | <b>-</b>     | <b>-</b>            |
| B.1 Deposits and current accounts                  | 51,411        | -                    | -                      | 92                      | -                        | 3,302                     | 5,654                   | -                      | -            | -                   |
| - Banks                                            | 1,668         | -                    | -                      | -                       | -                        | -                         | -                       | -                      | -            | -                   |
| - Customers                                        | 49,743        | -                    | -                      | 92                      | -                        | 3,302                     | 5,654                   | -                      | -            | -                   |
| B.2 Debt securities                                | -             | -                    | -                      | -                       | -                        | -                         | -                       | -                      | -            | -                   |
| B.3 Other liabilities                              | -             | -                    | -                      | -                       | -                        | -                         | -                       | -                      | -            | -                   |
| <b>C. Off-balance sheet transactions</b>           |               |                      |                        |                         |                          |                           |                         |                        |              |                     |
| C.1 Financial derivatives with capital exchange    |               |                      |                        |                         |                          |                           |                         |                        |              |                     |
| - Long positions                                   | -             | 9,502                | 8,380                  | 24,683                  | 9,364                    | 4,203                     | 9,022                   | 1,246                  | -            | -                   |
| - Short positions                                  | -             | 7,883                | 8,380                  | 24,758                  | 9,364                    | 4,203                     | 9,022                   | 1,246                  | -            | -                   |
| C.2 Financial derivatives without capital exchange |               |                      |                        |                         |                          |                           |                         |                        |              |                     |
| - Long positions                                   | -             | -                    | -                      | -                       | -                        | -                         | -                       | -                      | -            | -                   |
| - Short positions                                  | -             | -                    | -                      | -                       | -                        | -                         | -                       | -                      | -            | -                   |
| C.3 Deposits and loans to be received              |               |                      |                        |                         |                          |                           |                         |                        |              |                     |
| - Long positions                                   | -             | -                    | -                      | -                       | -                        | -                         | -                       | -                      | -            | -                   |
| - Short positions                                  | -             | -                    | -                      | -                       | -                        | -                         | -                       | -                      | -            | -                   |
| C.4 Commitments to disburse funds                  |               |                      |                        |                         |                          |                           |                         |                        |              |                     |
| - Long positions                                   | -             | -                    | -                      | -                       | -                        | -                         | -                       | -                      | -            | -                   |
| - Short positions                                  | -             | -                    | -                      | -                       | -                        | -                         | -                       | -                      | -            | -                   |
| C.5 Financial guarantees given                     | -             | -                    | -                      | -                       | -                        | -                         | -                       | -                      | -            | -                   |
| C.6 Financial guarantees received                  | -             | -                    | -                      | -                       | -                        | -                         | -                       | -                      | -            | -                   |
| C.7 Credit derivatives with capital exchange       |               |                      |                        |                         |                          |                           |                         |                        |              |                     |
| - Long positions                                   | -             | -                    | -                      | -                       | -                        | -                         | -                       | -                      | -            | -                   |
| - Short positions                                  | -             | -                    | -                      | -                       | -                        | -                         | -                       | -                      | -            | -                   |
| C.8 Credit derivatives without capital exchange    |               |                      |                        |                         |                          |                           |                         |                        |              |                     |
| - Long positions                                   | -             | -                    | -                      | -                       | -                        | -                         | -                       | -                      | -            | -                   |
| - Short positions                                  | -             | -                    | -                      | -                       | -                        | -                         | -                       | -                      | -            | -                   |

## Self-securitisation transactions

As described in "Part E - Section 2 - Prudential consolidation risks - 1.1 Credit risk - C. Securitisation transactions", Banco Desio, against "self-securitisation" transactions generated by Group entities, subscribed to securities that can be used for ECB refinancing transactions or for repurchase agreements with market counterparties. The self-securitisation transactions not derecognised from the financial statements outstanding at 31 December 2023 are described below.

### Coppedè 1 transaction carried out by Fides

#### Self-securitisation transactions not derecognised from the financial statements

| Vehicle company | Originator   | Securities issue date | Transaction | Type of securitisation |
|-----------------|--------------|-----------------------|-------------|------------------------|
| Coppedè S.r.l.  | Fides S.p.A. | November 2022         | Coppedè     | Consumer credits       |

On 13 October 2022, Fides S.p.A., a wholly-owned subsidiary of Banco Desio, sold to the special purpose vehicle Coppedè SPV S.r.l. a portfolio of performing consumer loans worth Euro 507.4 million.

#### Credit portfolio

| Originator   | Amount<br>31.12.2023 | Amount<br>31.12.2022 |
|--------------|----------------------|----------------------|
| Fides S.p.A. | 397,243              | 507,362              |

The amounts indicated represent the principal portion of performing loans, unlikely to pay and impaired past-due loans.

The SPV issued two classes of Securities on 23 November 2022: (i) Class A (Senior Notes), rated and listed on the Euronext market of the Irish Stock Exchange; and (ii) Class J (Junior Notes), unrated and unlisted. Both classes of notes are fully subscribed by the originator Fides; the Senior Notes are the subject of a securities lending transaction worth Euro 406 million in favour of Banco Desio, which in turn used them for a long-term repo transaction with a market counterparty.

#### Issue characteristics

| Classes      | Type           | Issue amount   | Amount<br>31.12.2023 | Interest rate                  | Maturity        | Moody's/Fitch<br>rating (*) |
|--------------|----------------|----------------|----------------------|--------------------------------|-----------------|-----------------------------|
| A            | Senior         | 436,000        | 325,881              | Euribor<br>3M+1.30<br>(spread) | January<br>2039 | Aa3 / AA                    |
| J            | Junior<br>(**) | 71,362         | 71,362               | 2.00                           | January<br>2039 | n.a.                        |
| <b>Total</b> |                | <b>507,362</b> | <b>397,243</b>       |                                |                 |                             |

(\*) Rating at 31 December 2023.

(\*\*) Unlisted Junior Notes. The issue includes an overpricing of Euro 12 million essentially aimed at building up the initial cash reserve

As part of the transaction, the Originator Fides assumed the role of Servicer by managing the collection of loans.



## 1.5. OPERATIONAL RISKS

### Qualitative information

#### **A. General aspects, management processes and measurement methods for operational risk**

Operational risk means the risk of loss resulting from inadequate or failed internal processes, human resources and systems, or from exogenous events, including legal risk (see EU Regulation 575/2013).

The Group uses the above definition of operational risk within its approved and formalised Operational Risk Management Model.

In this context, a specific operational risk management macro-process (defined as ORM Framework) was defined, which consists of the following steps:

- Identification: detection, collection and classification of information on operational risks;
- Assessment: evaluation in economic terms of the detected operational risks related to the company's operations;
- Monitoring and reporting: structured collection and organisation of results in order to monitor the development of operational risk exposure;
- Mitigation and control: risk transfer and business process improvement.

The following operational processes have been formalised to support the operational risk management model:

- Loss Data Collection - structured process for the collection of operational losses manifested within the Group;
- Risk Self-Assessment - a structured process for assessing potential operational risks aimed at obtaining an overall view of risk events in terms of potential and worst-case impact;
- Determination of the TSA capital requirement - the Banco Desio Group calculates the capital requirement using the "Traditional Standardised Approach" method. In order to comply with the relevant regulatory requirements, the Group has adopted an operational process and methodology for allocating the Relevant Indicator to the 8 business lines envisaged by the regulations, and has set up a specific internal IT procedure.

The Parent Company's Risk Management function, within the framework of what is defined in the internal regulations, structured an adequate monitoring and reporting activity on operational risks, integrating it with the dictates of the supervisory regulations on the subject of coordination between control functions. With regard to the detrimental events collected in the Database of Corporate Operational Losses (DBPOA), a reporting system was implemented to provide all the information concerning these events: number of events, amount of gross losses and any recoveries. This reporting was also integrated with the findings of the Risk Self-Assessment process.

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 third-party risk assessment methodology has been defined and implemented that is specific to the broader Operational Risk Assessment process.

Information security and data protection are priorities of the Group, which attaches central importance to risk management strategies by continuously adopting measures that comply with current privacy provisions, security regulations and the main industry standards, with the aim of guaranteeing the protection of information systems from events that could have a negative impact on the Group and the rights of those concerned.

The management, control and measurement of IT risks, including cyber risk, is embedded in the broader internal control and risk management system adopted by the Bank as parent company of the Banco Desio Group.

With reference to the main operational and organisational safeguards currently in place to ensure data security and protection, it should be noted that the Group has:

- ✓ an ICT Risk Assessment process aimed at identifying and measuring exposure to cyber risk. This process includes the assessment of risks arising from the bank's information system acquired in full-outsourcing from Cedacri S.p.a.;
- ✓ a system of key risk indicators to continuously monitor exposure to the main cyber threats in terms of data security, including: events involving the violation of corporate information security rules and practices (i.e. computer fraud, attacks through the Internet and malfunctions and disruptions), fraudulent attempts targeting virtual banking channels, and potential malware phenomena detected on e-mail or web vectors;
- ✓ an assessment process of third parties and the organisational and technological safeguards they put in place to ensure, among other aspects, IT security and business continuity within the scope of the services provided both at the contractualisation stage and throughout the entire life cycle of the relationship;
- ✓ a DPIA (Data Protection Impact Assessment) process, aimed at assessing the necessity and proportionality of privacy processing, evaluating and managing any risks to the rights and freedoms of data subjects, and establishing the need to implement mitigation measures in the face of any shortcomings found in the existence and effectiveness of adequate physical, organisational and technological safeguards;
- ✓ internal training on data protection regulations and how to process and protect data;
- ✓ anti-fraud procedures being progressively strengthened with respect to the evolving dynamics of cyber-attack techniques;
- ✓ security incident management procedures;
- ✓ application and infrastructure change management procedures;
- ✓ threat alerting systems also through the use of SOC (Security Operation Centre) services by specialised operators. A service incorporating an advanced computer application with an intrusion detection system was also recently acquired (so-called Intrusion Detection System) and a component that makes use of machine learning techniques to group devices on the network into groups (clusters) that are homogeneous in terms of behaviour and support the detection of anomalous phenomena and generate alerts;
- ✓ a daily monitoring service of ICT security performance by means of a rating system (external evaluation by a specialised operator used worldwide).

With reference to the most recent regulatory developments (i.e. 40th update of Circ. 285/13), the following changes were made to the relevant internal regulations (Internal Rules, Functional Chart, IT Security Policy, IT Risk Framework):

- Expansion of the tasks of the BOD and the CEO: approval of the organisational and governance structure of the Bank by the Board of Directors, approval of the ICT Change Management Procedures and Summary Reports by the CEO, etc.
- Organisational model: chosen model involving the assignment of ICT and security control responsibilities to existing control functions (Risk Management and Compliance).
- Operational model: definition of roles and responsibilities of each existing control function (Risk and Compliance), connection mechanisms, actions to ensure that the two functions have the necessary competences and adequately respond to all regulatory requirements.
- Defined a short/medium/long-term action plan, detailing actions and deadlines on the following main organisational and operational areas for ICT and Security Risk Management: ICT and Security Risk Management, Information Security and ICT Operations Management, ICT Project and Change Management, Operational Continuity Management.

With reference to the main lines of evolution envisaged, it should be noted that the Parent Company is engaged in a process of:

- Progressive compliance with the DORA regulation, which defines a framework of rules for the identification and management of ICT risks, establishing obligations regarding the testing of ICT infrastructures and suppliers, fostering the application of strategies, policies, procedures, tools and protocols on digital operational resilience. The Group will strive to meet the new requirements by intervening on processes (e.g. Operational Continuity, Incident Management, ICT and Cyber Risk Management Framework, Third Party Governance) and working tools (e.g. CMDB and third-party management tools, security and incident management applications).
- Continuous strengthening of first-level cyber security controls through the development of a KPI system capable of continuously monitoring the following areas: the Bank's cyber security posture, the effectiveness of anti-fraud detection systems, exposure to vulnerabilities, and incident management.

### Logical Security Management

In response to the extraordinary needs that arose in connection with the Covid-19 emergency, the ongoing war between Russia and Ukraine, and in compliance with the joint call of Consob, Bank of Italy, IVASS, FIU of 7 March 2023, 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;
- ✓ revised the Fraud Management processes and tools 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., Vorvel Sim S.p.A) and electricity supply systems. This crisis response methodology is also applied by the subsidiary Fides as a Group-wide Business Continuity Plan has been developed since 2023.

The following improvements were also made:

- Further implementation of notebooks as new workstations for the Headquarters and the Network in order to increase mobility;
- Cyber attack simulation test in cooperation with ABILab and CERTFin;
- Migration of the server farm to the AWS cloud outsourced CEDACRI, in order to increase the resilience of internal systems.

### Risk related to administrative responsibilities

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.

### Risks related to pending litigation

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 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.

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:

|                         | <b>Number</b> | <b>Claim</b>       | <b>Allocated provisions</b> |
|-------------------------|---------------|--------------------|-----------------------------|
| Lawsuits for revocation | 9             | Euro 8.8 million   | Euro 1.4 million            |
| Other lawsuits          | 850           | Euro 132.3 million | Euro 10.5 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 other party appealed against the first instance judgement. The first hearing is scheduled for 12 June 2024 before the Court of Appeal of Milan;

- 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. The appeal is set for closing arguments at the hearing on 12 September 2024;
- 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 case was interrupted due to the death of one of the lawyers. The plaintiff filed an appeal to resume the case;
- 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 a first instance judgement, the Bank was ordered to pay the amount of Euro 939,349. The Bank appealed against the judgement as unfounded in fact and law; at the first hearing on 05 February 2024, the Judge reserved its decision;

- 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 investigative measures and postponement for clarification of the conclusions on 1 February 2024, the case has been decided;
- 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 and scheduled a hearing in chambers on 28 February 2024;
- Claim of Euro 1.5 million. The plaintiff brought an action against our bank before the Court of Spoleto to obtain the restitution of Euro 1,519,856, which it considers to have been unlawfully received by the Bank, mainly for: anatocism, ultra-lever interest, maximum overdraft commission,

fast investigation commission (civ), commission for making funds available, commissions and expenses not agreed upon with reference to two ordinary current accounts and the relative credit lines. The first hearing is set for 15 April 2024;

- 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 ordered a graphological court expert report (CTU) to be verified at the hearing on 24 April 2024, ordering the safekeeping of the original produced in the files;
- Claim of Euro 1.4 million. A Cooperative Company brought action against the Bank before the Court of Spoleto seeking a declaration of nullity, annulment, termination, pre-contractual and contractual liability, abuse of dominant position or at least of economic dependence exercised by the merged company Banca Popolare di Spoleto, under the contract for the provision of investment services and the contract for the purchase of shares totalling 36,000 shares issued by Spoleto Credito e Servizi Soc. Coop. (SCS, former parent company of the merged company Banca Popolare di Spoleto) for a total value of approximately Euro 1.4. The purchase of the (partially pledged) shares was allegedly made by the customer through the mediation of the bank but by a bank transfer in 2001 directly in favour of SCS. The disputed transaction dates back a long time and the relevant protective actions would be time-barred, despite the fact that the transaction was for a loan and a guarantee held with our bank that were subsequently extinguished. The Judge set the hearing for closing arguments for 07 March 2024 while the parties are talking to find a settlement.

## Quantitative information

The number of prejudicial events recorded by the Group at 31 December 2023 amounted to 1,358 events. The result of the process of collecting prejudicial events is summarised in the table below:

| Event Type                                                                                                                                                                                                | % Events | % of total | % of total | % Recoveries |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|------------|------------|--------------|
| INTERNAL FRAUD Losses due to acts of fraud, embezzlement, circumvention of statutes, laws or company policies (excluding incidents of discrimination), involving at least one internal member of the bank | 0.08%    | 1.47%      | 1.49%      | 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                        | 5.43%    | 19.02%     | 19.30%     | 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    | 0.08%    | 1.64%      | 1.67%      | 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) | 14.84%         | 45.07%         | 45.74%        | 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                                                                                        | 0.92%          | 1.47%          | 0.79%         | 46.92%       |
| 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                                                                                                                                                                                      | 78.65%         | 31.33%         | 31.01%        | 2.48%        |
| <b>TOTAL Banco Desio e della Brianza</b>                                                                                                                                                                                                      | <b>100.00%</b> | <b>100.00%</b> | <b>100.0%</b> | <b>1.46%</b> |

The gross operating loss amounted to Euro 5,907 thousand, on which, during the reporting period, provisions of Euro 3,601 thousand and recoveries of Euro 85 thousand were made; consequently, the net operating loss amounted to Euro 5,695 thousand.

## PART F - INFORMATION ON CONSOLIDATED EQUITY

### SECTION 1 - CONSOLIDATED EQUITY

#### A. Qualitative Information

The Banco Desio Group dedicates primary attention to its equity capital, aware both of its function as a factor in preserving the confidence of its stakeholders, as it can be used to absorb any losses, and of the importance of the same in its management for purely operational and business development purposes.

A good level of capitalisation makes it possible to face corporate development with the necessary margins of autonomy and preserve the stability of the Group.

The Parent company's policy is therefore to give a high priority to equity in order to make the best use of it in business expansion.

The notion of accounting equity used by the Group is the algebraic sum of the following balance sheet liability items: Capital, Valuation reserves, Reserves, Share premium and Profit for the year.

#### B. Quantitative information

##### B.1 Consolidated equity: breakdown by type of company

| Equity items                                                                                                | Prudential Group | Insurance companies | Other companies | Consolidation eliminations and adjustments | 31.12.2023       |
|-------------------------------------------------------------------------------------------------------------|------------------|---------------------|-----------------|--------------------------------------------|------------------|
| 1. Share capital                                                                                            | 54,026           |                     |                 |                                            | 54,026           |
| 2. Share premiums                                                                                           | 10,809           |                     |                 |                                            | 10,809           |
| 3. Reserves                                                                                                 | 1,048,918        |                     |                 |                                            | 1,048,918        |
| - of profits:                                                                                               | 25,817           |                     |                 |                                            | 25,817           |
| a) legal                                                                                                    | 6,625            |                     |                 |                                            | 6,625            |
| d) other                                                                                                    | 19,192           |                     |                 |                                            | 19,192           |
| - other                                                                                                     | 1,023,101        |                     |                 |                                            | 1,023,101        |
| 4. Equity instruments                                                                                       |                  |                     |                 |                                            |                  |
| 5. (Treasury shares)                                                                                        |                  |                     |                 |                                            |                  |
| 6. Valuation reserves:                                                                                      | 3,154            |                     |                 | 24                                         | 3,178            |
| - Equity securities measured at fair value through other comprehensive income                               | (523)            |                     |                 |                                            | (523)            |
| - Financial assets (other than equity securities) measured at fair value through other comprehensive income | (16,630)         |                     |                 |                                            | (16,630)         |
| - Tangible assets                                                                                           | 95               |                     |                 |                                            | 95               |
| - Actuarial gains (losses) on defined-benefit pension plans                                                 | (2,853)          |                     |                 |                                            | (2,853)          |
| - Share of valuation reserves of investments valued at equity                                               |                  |                     |                 | 24                                         | 24               |
| - Special revaluation laws                                                                                  | 23,065           |                     |                 |                                            | 23,065           |
| Profit (loss) for the year (+/-) attributable to the group and minority interests                           | 239,747          |                     |                 |                                            | 239,747          |
| <b>Equity</b>                                                                                               | <b>1,356,654</b> |                     |                 | <b>24</b>                                  | <b>1,356,678</b> |

## B.2 Valuation reserves of financial assets measured at fair value through other comprehensive income: breakdown

| Assets/values           | Prudential Consolidation |                  | Insurance companies |                  | Other companies  |                  | Consolidation eliminations and adjustments |                  | Total            |                  |
|-------------------------|--------------------------|------------------|---------------------|------------------|------------------|------------------|--------------------------------------------|------------------|------------------|------------------|
|                         | Positive reserve         | Negative reserve | Positive reserve    | Negative reserve | Positive reserve | Negative reserve | Positive reserve                           | Negative reserve | Positive reserve | Negative reserve |
| 1. Debt securities      | 1,686                    | (18,316)         |                     |                  |                  |                  |                                            |                  | 1,686            | (18,316)         |
| 2. Equity securities    | -                        | (523)            |                     |                  |                  |                  |                                            |                  |                  | (523)            |
| 3. Loans                |                          |                  |                     |                  |                  |                  |                                            |                  |                  |                  |
| <b>Total 31.12.2023</b> | <b>1,686</b>             | <b>(18,839)</b>  |                     |                  |                  |                  |                                            |                  | <b>1,686</b>     | <b>(18,839)</b>  |
| <b>Total 31.12.2022</b> | <b>1,435</b>             | <b>(35,055)</b>  |                     |                  |                  |                  |                                            |                  | <b>1,435</b>     | <b>(35,055)</b>  |

## B.3 Valuation reserves of financial assets measured at fair value through other comprehensive income: changes in the year

|                                                                      | Debt securities | Equity securities | Loans |
|----------------------------------------------------------------------|-----------------|-------------------|-------|
| <b>1. Opening balance</b>                                            | <b>(34,171)</b> | <b>551</b>        |       |
| <b>2. Positive changes</b>                                           | <b>17,840</b>   | <b>20</b>         |       |
| 2.1 Increases in fair value                                          | 17,717          |                   |       |
| 2.2 Value adjustments for credit risk                                | 27              |                   |       |
| 2.3 Transfer to income statement of negative reserves from disposals | 96              |                   |       |
| 2.4 Transfers to other equity components (equity securities)         |                 | 20                |       |
| 2.5 Other changes                                                    |                 |                   |       |
| <b>3. Negative changes</b>                                           | <b>(299)</b>    | <b>(1,094)</b>    |       |
| 3.1 Reductions in fair value                                         |                 |                   |       |
| 3.2 Reversals for credit risk                                        | (21)            |                   |       |
| 3.3 Transfer to income statement of positive reserves from disposals | (278)           |                   |       |
| 3.4 Transfers to other equity components (equity securities)         |                 | (1,094)           |       |
| 3.5 Other changes                                                    |                 |                   |       |
| <b>4. Closing balance</b>                                            | <b>(16,630)</b> | <b>(523)</b>      |       |

## B.4 Valuation reserves relating to defined-benefit plans: changes in the year

The valuation reserves relating to defined benefit plans recorded a negative effect of Euro 70 thousand during the year (net of the related tax effect of Euro 26 thousand), resulting from the change in the discounting of the employee severance indemnity provision determined for statutory purposes.

## **SECTION 2 - BANK OWN FUNDS AND REGULATORY CAPITAL RATIOS**

### **2.1 Scope of the regulations**

As provided for in the 8th Update of Circular 262 "Banks' financial statements: formats and rules for preparation", reference is made to the public disclosure ("Pillar 3") provided at the consolidated level by the Bank.

## **PART G - BUSINESS COMBINATIONS INVOLVING BUSINESSES OR BUSINESS UNITS**

### **Section 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 40 former BPER Banca (formerly Banca Carige) and 8 bank branches formerly 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 Annual Financial Report, a definitive Purchase Price Allocation (PPA) was made (in accordance with IFRS 3 Business Combinations), which resulted in a "gain from a bargain purchase", or goodwill or negative goodwill. Considering this result, the same PPA took into account the agreements reached in the meantime with the counterparty with which an adjustment was also recognised on the basis of the gross banking product actually acquired.

The determination of the impact of the PPA process required the support of qualified independent experts, through whom the fair value at the acquisition date of certain balance sheet items was determined, also with the support of Banco Desio internal structures. The remaining balance sheet items were valued internally by Banco Desio structures.

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 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. With regard to the transaction for the acquisition of the 48 branches from the BPER group, the valuation period and, consequently, the PPA process, ended on 8 February 2024, the date of approval by the Board of Directors of Banco Desio annual and consolidated results for the year ended 31 December 2023, since, on that date, all activities to identify the assets and liabilities acquired (including contingent liabilities) and to measure their fair value were completed. In particular, EY (a leading independent expert active in the fields of Enterprise Risk Management and Financial Advisory) considered that it had all the necessary elements to determine the fair value of the Performing Loan and Intangible Assets, thus concluding its estimation activities. Gabriele Villa, who was asked by Banco Desio to conduct a critical review of the evaluation methods adopted, also expressed a positive opinion on the correctness and methodological consistency, the rationality of the hypotheses adopted, the appropriateness of the application choices and the overall reasonableness of the results of the PPA process.

## 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 the first months of 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<sup>12</sup>:

- 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.
- 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”<sup>13</sup>.
- 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 (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 is therefore applied, as better described in Part A.2 of these Notes to the Financial Statements, to which reference should be made.

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.

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<sup>12</sup> As required by paragraph 3B of IFRS 3

<sup>13</sup> Ref. paragraph B12C of IFRS 3: 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)
- b) it contributes significantly to the ability to continue to generate output and:
  - i) it is considered unique or scarce;
  - ii) it cannot be replaced without significant cost, effort or delay to the ability to continue generating output.

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.

Euro/000

| Asset items                                     | BPER Branch      | BDS Branch     | Total Lanternina Transaction | Fair Value differences | Acquisition FV   |
|-------------------------------------------------|------------------|----------------|------------------------------|------------------------|------------------|
| 10. Cash and cash equivalents                   | 7,690            | 1,156          | 8,846                        | -                      | 8,846            |
| 40. Financial assets measured at amortised cost | 1,093,985        | 220,112        | 1,314,097                    | -21,876                | 1,292,221        |
| a) loans with banks                             | 275,644          | -              | 275,644                      | -                      | 275,644          |
| b) loans to customers                           | 818,341          | 220,112        | 1,038,453                    | -21,876                | 1,016,577        |
| 80. Tangible assets                             | 12,951           | 104            | 13,055                       | 2,277                  | 15,332           |
| a) owned assets                                 | 12,951           | 104            | 13,055                       | -1,885                 | 11,170           |
| b) rights of use acquired through leases        | -                | -              | -                            | 4,162                  | 4,162            |
| 90. Intangible assets                           | -                | -              | -                            | 21,150                 | 21,150           |
| 100. Tax assets                                 | -                | -              | -                            | 623                    | 623              |
| b) deferred                                     | -                | -              | -                            | 623                    | 623              |
| 120. Other assets                               | 23,822           | 4,673          | 28,495                       | -5                     | 28,490           |
| <b>Total assets</b>                             | <b>1,138,448</b> | <b>226,045</b> | <b>1,364,493</b>             | <b>2,169</b>           | <b>1,366,662</b> |

| Liabilities                                          | BPER Branch      | BDS Branch     | Total 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        |
| a) payables to banks                                 | -                | 35,552         | 35,552                       | -                      | 35,552           |
| b) payables to customers                             | 1,077,113        | 168,265        | 1,245,378                    | 4,162                  | 1,249,540        |
| 60. Tax liabilities                                  | -                | -              | -                            | 6,994                  | 6,994            |
| b) deferred                                          | -                | -              | -                            | 6,994                  | 6,994            |
| 80. Other liabilities                                | 1,594            | 168            | 1,762                        | -                      | 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                        | 380                    | 1,785            |
| a) commitments and guarantees given                  | 278              | 271            | 549                          | -279                   | 270              |
| c) other provisions for risks and charges            | 712              | 144            | 856                          | 659                    | 1,515            |
| <b>Total liabilities</b>                             | <b>1,081,250</b> | <b>204,599</b> | <b>1,285,849</b>             | <b>11,415</b>          | <b>1,297,264</b> |

At the date of approval of this Annual Financial Report, acquired asset balances were definitively determined and measured at fair value with the support of accredited external advisors, as indicated below. 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, the performing loans assessed mark-to-model, with the support of EY, amounted to approximately Euro 860.5 million. The valuation process resulted in an overall fair value lower than the relevant carrying amount by a total of Euro 21.9 million (Euro 9.3 million relating to the BPER Branch and Euro 12.6 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 analyses carried out at the date of preparation of this Annual Financial Report led to the consideration that the carrying amount acquired at the reference date can be considered a reasonable approximation of the fair value in accordance with the provisions of IFRS 13, taking into account that the amount of impaired financial assets acquired (so-called "Purchased or Originated Credit Impaired Assets" or "POCI") is small in total and consists of Euro 10.8 million of UTP and Euro 3.0 million of Past Due.

- Tangible assets: independent fair-value valuations were performed on all properties subject to acquisition (land and buildings), based on on-site appraisals conducted by the expert retained by Banco Desio. The results of these activities, in which the current context of the real estate market was taken into account, led to the estimate of an adjustment to the aforementioned real estate portfolio, made up of twenty-five former Carige branches, to adjust the relative fair value of a total of Euro 1.8 million. Further appraisal activities conducted led to an estimated adjustment on other tangible assets acquired (office equipment) totalling Euro 0.1 million. The lower value of tangible assets resulted in the recognition of related deferred tax assets of Euro 0.6 million as a balancing entry to negative goodwill.
- 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 Annual Financial Report, the Bank concluded the analyses aimed at identifying the intangibles originating from the so-called client relationship, not already recognised in the transferor's financial statements. Based on the examination conducted, it emerged that there are the preconditions for enhancing the value of both the direct inflows component (core deposits) and the indirect inflows component acquired (asset under management and asset under administration). The necessary investigations were carried out to identify all the information useful for the most adequate valorisation of these intangible assets, the explicit value of which was determined using a "Multi-period Excess Earning Method - MEEM" model, as per best practices market.

The estimate of the value of the intangibles was conducted, with the support of EY, discounting the expected net economic flows over a defined time horizon. The net cash flows of intangible assets



were estimated by taking into account volumes, net margins, operating costs and capital absorption related to the operational risk associated with intangible assets. The cost of capital, which is equal to the rate of return on equity required by shareholders for investments with similar risk characteristics, was used to discount the projected net cash flows related to intangible assets. This rate was estimated using the CAPM (Capital Asset Pricing Model) method. The useful life of intangibles was estimated on the basis of the churn rates of acquired customers.

Based on the above, the analyses led to the recognition of new intangible assets, against an increase in negative goodwill, totalling Euro 21.2 million (14.3 million referring to core deposits and 6.8 million to assets under management and assets under administration), gross of related deferred tax liabilities of Euro 7.0 million.

- 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 Annual Financial Report, to estimate contingent liabilities of Euro 0.5 million attributable to the estimated technical interventions for the technological systems relating to the acquired properties.
- Fiscal effects: for the purposes of preparing this Annual Financial Report, the economic result of the combination (classified as the acquisition of a business unit) has been given fiscal relevance for the purposes of direct IRES taxes for the year, in line with the Revenue Agency's Opinion received on 9 October 2023, in response to the Interpretation Request formulated by the Bank on 14 July 2023 and concerning the tax regime applicable to the balance sheet and income statement components arising from the PPA process carried out at the time of the acquisition of the business unit in question. The resulting current tax burden was accounted for within the item "Income taxes for the period on current operations" for a total of Euro 14.7 million, taking into account the non-deductibility of the valuation process of properties and the irrelevance for tax purposes of the valuation process of intangibles.

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 result of the PPA process

Euro/000

| Determination of badwill                                              | BPER Branch   | BDS Branch     | Total Lanternina Transaction |                    |
|-----------------------------------------------------------------------|---------------|----------------|------------------------------|--------------------|
| <b>Assets at carrying amounts at 20 February 2023</b>                 | <b>57,198</b> | <b>21,446</b>  | <b>78,644</b>                | <b>(a)</b>         |
| <b>Fair value adjustment effects of individual accounting items</b>   | <b>1,806</b>  | <b>-11,052</b> | <b>-9,246</b>                | <b>(b)</b>         |
| - of which loans to customers                                         | -9,066        | -12,531        | -21,597                      |                    |
| - of which tangible assets owned                                      | -1,873        | -12            | -1,885                       |                    |
| - of which intangible assets                                          | 18,830        | 2,320          | 21,150                       |                    |
| - of which employee severance indemnity                               | 105           | 16             | 121                          |                    |
| - of which other provisions for risks and charges                     | -582          | -77            | -659                         |                    |
| - of which other accounting items                                     | -             | -5             | -5                           |                    |
| - of which tax-related effects                                        | -5,608        | -763           | -6,371                       |                    |
| <b>Assets at fair value at 20 February 2023</b>                       | <b>59,004</b> | <b>10,394</b>  | <b>69,398</b>                | <b>(c)=(a)+(b)</b> |
| <b>Acquisition cost</b>                                               | <b>3,302</b>  | <b>-</b>       | <b>3,302</b>                 | <b>(d)</b>         |
| - of which sale consideration                                         | 6,722         | -              | 6,722                        |                    |
| - of which compensation for non-transfer of acquiring/monetary branch | -2,500        | -              | -2,500                       |                    |
| - of which price adjustment per gross banking product                 | -920          | -              | -920                         |                    |
| <b>Badwill at the date of acquisition resulting from the PPA</b>      | <b>55,702</b> | <b>10,394</b>  | <b>66,096</b>                | <b>(e)=(c)-(d)</b> |
| <b>Current IRES taxes on taxable badwill</b>                          |               |                | <b>-14,736</b>               |                    |
| <b>Badwill after taxes</b>                                            |               |                | <b>51,360</b>                |                    |

At the end of the allocation process, the total gross benefit from the acquisition amounted to Euro 66.1 million, recorded as income under "Other operating income/expenses" in the income statement.

With reference to the valuation process, conducted mainly with the support of independent experts, which led to the recognition of the aforementioned badwill, it should be noted that paragraph 36 of IFRS 3 requires that the acquirer, in order to ensure that the valuations correctly reflect all information at the acquisition date, before recognising a badwill item in the income statement, must perform a reassessment of the valuation process already conducted in order to ascertain the completeness of the restatement activities and the reasonableness and non-arbitrariness of the valuation methodologies and parameters adopted. In addition, the ECB in January 2021 issued guidance in relation to the inclusion of badwill in the acquiring entity's own funds, emphasising the need for appropriate checks on the correct determination of badwill arising from the PPA process. In this context, Banco Desio reviewed the main assessments, both directly and with the support of its previously mentioned consultants.

In addition, as further activity to verify the correctness and reasonableness of the conclusions reached and the emerging badwill, Banco Desio requested Gabriele Villa to conduct a critical review of the valuation methods adopted, verifying in particular the completeness of the valuations and the reasonableness and non-arbitrariness of the valuation methodologies and parameters adopted. As a result of the checks carried out, on 5 February 2024, Gabriele Villa expressed a positive opinion on the correctness and methodological consistency, the rationality of the hypotheses adopted, the appropriateness of the application choices and the overall reasonableness of the results deriving from the PPA process.

In relation to the disclosure required by paragraph B64 (q) (i) and (ii) of IFRS 3 and referring, respectively, to the revenues and profits of the business acquired from the date of acquisition up to the reference date of this Annual Financial Report and to the presentation of the revenues, profits and losses of the entity resulting from the combination itself for the current period, assuming that it took place at the beginning of the reporting period, it should be noted that it is not available as the business acquired does not represent a separate operating segment and, therefore, is not subject to separate reporting.

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 moreover recorded in the income statement; these differences mainly refer to book items at amortised cost (e.g. loans to customers and intangibles); the impact on the income statement at 31 December 2023 was positive in the amount of Euro 2.9 million, gross of the related tax effect.

## **Section 2 - Transactions realised after the end of the year**

### *Binding agreements signed for entry into the share capital of Dynamica Retail S.p.A.*

On 31 January 2024, Banco Desio announced that it had signed a sale and purchase agreement and an investment agreement with the shareholders of Dynamica Retail S.p.A. ("Dynamica" or "Company"), a company active in the provision of salary-backed loans to private customers, concerning the Banco Desio entry into the share capital of Dynamica through the purchase of the majority of the share capital and the subscription of a capital increase reserved for Banco Desio.

Upon completion of the Transaction, the execution of which is conditional upon, inter alia, obtaining authorisation from the Bank of Italy, Banco Desio will hold a stake of no less than 80% of the Company's share capital, while the remaining stake will be held by the current management, which will continue to contribute to the growth of the Company within the Banco Desio Group.

Specifically, the purchase and sale of Dynamica shares, representing 57% of the related share capital, will take place against the payment of a preliminary consideration of approximately Euro 1.2 million (subject to adjustment based on Dynamica results at 31 December 2023), while the capital increase reserved for Banco Desio will amount to approximately Euro 6-7 million (the final amount will be determined based on Dynamica results at 31 December 2023 as well as the maintenance of the regulatory ratios). The payment of the consideration will take place entirely in cash through Banco Desio cash and cash equivalents, and the transaction is expected to close within the first half of 2024.

The binding agreements also provide for a purchase option in favour of Banco Desio to be exercised as from the approval of the financial statements for the year ending 31 December 2025, concerning the remaining shares held by shareholders who are also managers of Dynamica, the purchase price of which will be determined on the basis of Dynamica results and shared business objectives.

As required by paragraph B66 of IFRS 3, it should be noted that, at the date of approval of these financial statements, part of the information required by paragraph B64 of IFRS 3 was not provided, as it was not available.

## PART H - RELATED PARTY TRANSACTIONS

### 1 - Information on the remuneration of Key Managers

For information on the remuneration of Directors and Key Managers, please refer to the "Report on Group Remuneration Policies" at 31 December 2023 prepared pursuant to Article 123-ter TUF and published on the website at [www.bancodesio.it](http://www.bancodesio.it).

### 2 - Information on related party transactions

The Internal Procedure ("Internal Regulation") for the management of related party transactions and parties included in the scope of application of Article 136 TUB, adopted in compliance with Consob Regulation No. 17221/2010 as updated by Resolution No. 21624/2020, and supplemented in compliance with the Prudential Supervisory Provisions on risk activities and conflicts of interest in respect of parties connected with the Bank or the Banking Group pursuant to Article 53 of the Consolidated Law on Banking and most recently supplemented in compliance with the 35th update of Bank of Italy Circular No. 285 and related enactment in implementation of the EU Directive so-called CRD5, is described in the Annual Corporate Governance Report at 31 December 2023. The Procedure itself is published, in compliance with the aforementioned Regulation, on the website at [www.bancodesio.it](http://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<sup>14</sup>;
- 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 changes or developments in related party transactions described in the last annual report that had a material effect on the Group's financial position or results.

In the year under review, there were no noteworthy transactions, with the exception of the issue by Banco di Desio e della Brianza S.p.A. ("Banco Desio" or the "Bank") of a subordinated Tier2 bond loan pursuant to Article 12 of the TUB (Consolidated Law on Banking ) fully subscribed by Brianza Unione di Luigi Gavazzi e Stefano Lado S.A.p.A. (parent company).

\* \* \*

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 31 December 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 and other Related Parties pursuant to Article 53 TUB and/or Article 2391-bis of the Italian Civil Code (comprising entities treated pursuant to article 136 of the Consolidated Law on Banking (TUB) in accordance with the regulations, including internal

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<sup>14</sup> 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, calculated for Banco Desio at the date of adoption of the Procedure itself).

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

## **I - Parent Company**

On 3 July 2023, Banco di Desio e della Brianza S.p.A. entered into, with Brianza Unione di Luigi Gavazzi e Stefano Lado S.A.p.A. ("Brianza Unione"), an agreement for the subscription by the latter of a 10Y non-call 5Y Subordinated Tier 2 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.

The two issues of Tier 2 Subordinated Bonds are placed in the broader context of a transaction aimed at determining the assignment of a Tier 2 liability within the framework of the prudential regulations applicable pursuant to the CRR for the purposes of individual and consolidated prudential supervision, respectively Banco Desio and the Banco Desio Banking Group (the "Transaction").

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.

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. Providing the foregoing, 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 details 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 made available to the public, within the legal terms, at the Banco Desio registered office, on the IINFO storage platform (at the address [www.iinfo.it](http://www.iinfo.it)), as well as on the Banco Desio website (section The Bank/Governance/Corporate documents/Related parties).

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At year-end, debit balances (due to customers) with the Parent Company Brianza Unione amounted to a total of Euro 0.6 million, referring to the current account relationship held with Banco Desio. Also worth mentioning is the position relating to the Securities in Custody and Administration portfolio amounting to Euro 312.1 million.

With the Parent Company Brianza Unione di Luigi Gavazzi e Stefano Lado SapA, 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".

It should be noted that in the course of 2023, the 5-year unsecured bullet loan, for a total amount of Euro 5 million, set up at the time in favour of the same Company and falling within the scope of application of

Article 136 of the Consolidated Law on Banking by virtue of the positions held by certain Exponents, was extinguished.

## II - Transactions with Officers and with parties related to them <sup>15</sup>

With regard to the entrustment transactions approved in 2023 pursuant to Article 53 of the Consolidated Law on Banking (also in accordance with the new provisions introduced by the Legislative Decree implementing Directive 2013/36/EU, the so-called CRD IV) and/or Article 2391-bis of the Italian Civil Code (comprising parties treated pursuant to Article 136 of the Consolidated Law on Banking, in compliance with the regulations, including internal regulations in force), it should be noted that these were mainly ordinary credit disbursement transactions to Group Officers and/or parties related to them (meaning directors, statutory auditors and key managers in the Bank and in subsidiaries). These ties did not affect the application of the normal criteria for assessing creditworthiness. The total amount granted on the 33 positions outstanding at 31 December 2023 was about Euro 14.4 million and the related utilisations totalled about Euro 6.6 million.

With regard to the inflows relationships held by the Bank directly with the Officers, as well as with related parties, it should also be noted that the total balances at 31 December 2023 amounted to approximately Euro 172.5 million in amounts due to customers (including approximately Euro 153.2 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 and associates.

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

|                                                     | Balances at 31.12.2023<br>(in Euro/millions) |
|-----------------------------------------------------|----------------------------------------------|
| <b><u>Entrustment transactions:</u></b>             |                                              |
| Amount granted                                      | 14.4                                         |
| Amount used                                         | 6.6                                          |
| <b><u>Collection transactions:</u></b>              |                                              |
| Amount of current accounts and savings deposits (a) | 19.3                                         |
| Amount of securities portfolios (b)                 | 153.2                                        |
| Total (a+b)                                         | 172.5                                        |

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.

<sup>15</sup> Related parties within the meaning of Article 53 of the Consolidated Law on Banking (including parties treated in accordance with Article 136 of the Consolidated Law on Banking) and/or Article 2391-bis of the Italian Civil Code (other than the Parent Company and subsidiaries/associates)

## PART I – Payment agreements based on own equity instruments

### 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, in which inclusive corporate culture and gender neutrality are becoming increasingly important. The Banco Desio Group's remuneration policy is gender-neutral.

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<sup>16</sup> 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.

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<sup>16</sup> Subjects whose professional activities have, or may have, a significant impact on the Group's risk profile.

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<sup>17</sup>.

Of the up-front portion of the incentive, 50% is recognised in "Banco Desio phantom shares"<sup>18</sup> 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<sup>19</sup> 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, which is alongside the STI 2023 plan and the previous STI 2022.

The "LTI 2024-2026" Plan is intended for approximately 40 managerial roles of the Group (including those belonging to functions with control tasks, through dedicated KPIs), selected on the basis of the level of the position and the impact on the business, including the Chief Executive Officer and Key Executives of the Parent Company and Fides, considered fundamental for their respective skills for the implementation and success of the 2024-2026 "Beyond 26" Strategic Plan, approved by the Board of Directors on 23 November 2023, with the right to identify any additional ones due to organisational changes or with a view to attraction and retention (the "Recipients"). The incentive related to the LTI Plan (LTI incentive) also 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.

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<sup>17</sup> 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"

<sup>18</sup> 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).

<sup>19</sup> 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.



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 2023 financial year 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 remuneration policy and on compensation paid 2022" and "Information document relating to the Plan "2023 incentive system" based on 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](http://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 of 14 April 2022.

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](http://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 14 April 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 schemes for the most significant personnel, in 2023, the Group allocated an expected expense of Euro 2.1 million substantially attributable to the Parent Company's 2023 Phantom Shares Plan and a lower expense of Euro 0.3 million substantially attributable to the Parent Company's 2022 Phantom Shares Plan (in 2022, an expected expense of Euro 2.0 million was allocated substantially attributable to the Parent Company's 2022 Phantom Shares Plan).

## PART I - SEGMENT REPORTING

The Banco Desio Group operates by carrying out traditional credit intermediation, asset management, and the offer of life and non-life bancassurance products.

Consistent with the internal reporting system by which management monitors performance and makes operational decisions on resources to be allocated, segment reporting takes into account the organisational and management structure described below.

The "banking" segment includes the Group's network bank, i.e., the Parent Company Banco di Desio e della Brianza S.p.A., the special purpose vehicle "Desio OBG S.r.l.", set up specifically for the guaranteed bank bond issue programme, and the securitisation vehicle Coppedè S.r.l., since through Fides S.p.A., pursuant to IFRS 10 Consolidated Financial Statements, the Banco Desio Group has a position of substantial control of the SPV itself.

The "parabanking" sector includes Fides S.p.A., a financial intermediary registered under Article 106 TUB.

The column "consolidation adjustments" includes consolidation entries and intragroup eliminations.

| Income statement figures                                    | Banking           | Parabanking   | Consolidation adjustments | Total<br>31.12.2023 |
|-------------------------------------------------------------|-------------------|---------------|---------------------------|---------------------|
| Margin on financial and insurance operations <sup>(1)</sup> | 628,145           | 22,529        | (5,608)                   | 645,066             |
| Structural costs <sup>(2)</sup>                             | (363,993)         | (10,222)      | 363                       | (373,852)           |
| Allocations and adjustments <sup>(3)</sup>                  | (65,753)          | (1,583)       | 133                       | (67,203)            |
| Gains (Losses) on investments valued at equity              |                   |               | 192                       | 192                 |
| Gains (Losses) on disposal of investments                   |                   |               | -                         |                     |
| <b>Profit (Loss) from current operations before taxes</b>   | <b>198,399</b>    | <b>10,724</b> | <b>(4,920)</b>            | <b>204,203</b>      |
| Balance sheet figures                                       | Banking           | Parabanking   | Consolidation adjustments | Total<br>31.12.2023 |
| Financial assets                                            | 3,957,354         | -             |                           | 3,957,354           |
| Loans with banks <sup>(4)</sup>                             | 232,629           | 60,728        | (18)                      | 293,339             |
| Loans to customers <sup>(4)</sup>                           | 11,648,252        | 1,200,925     | (1,195,551)               | 11,653,626          |
| Payables to banks                                           | 1,950,065         | 1,195,411     | (1,195,411)               | 1,950,065           |
| Payables to customers                                       | 12,553,929        | 6,375         | (224,200)                 | 12,336,104          |
| Securities issued                                           | 2,509,819         |               |                           | 2,509,819           |
| <b>Indirect inflows, administered and managed</b>           | <b>20,075,615</b> |               |                           | <b>20,075,615</b>   |

| <b>Income statement figures</b>                             | <b>Banking</b> | <b>Parabanking</b> | <b>Consolidation adjustments</b> | <b>Total<br/>31.12.2022</b> |
|-------------------------------------------------------------|----------------|--------------------|----------------------------------|-----------------------------|
| Margin on financial and insurance operations <sup>(1)</sup> | 476,333        | 18,790             | - 10,385                         | 484,738                     |
| Structural costs <sup>(2)</sup>                             | (315,362)      | (9,239)            | 172                              | (324,429)                   |
| Allocations and adjustments <sup>(3)</sup>                  | (46,128)       | - 4,243            | 26                               | (50,345)                    |
| Gains (Losses) on investments valued at equity              | -              | -                  | - 16                             | - 16                        |
| Gains (Losses) on disposal of investments                   | - 54           | -                  | -                                | - 54                        |
| <b>Profit (Loss) from current operations before taxes</b>   | <b>114,789</b> | <b>5,308</b>       | <b>(10,203)</b>                  | <b>109,894</b>              |

| <b>Balance sheet figures</b>                      | <b>Banking</b>    | <b>Parabanking</b> | <b>Consolidation adjustments</b> | <b>Total<br/>31.12.2022</b> |
|---------------------------------------------------|-------------------|--------------------|----------------------------------|-----------------------------|
| Financial assets                                  | 4,018,411         | -                  | -                                | 4,018,411                   |
| Loans with banks <sup>(4)</sup>                   | 157,765           | 43,413             | - 20                             | 201,158                     |
| Loans to customers <sup>(4)</sup>                 | 11,472,346        | 1,075,574          | - 1,067,304                      | 11,480,616                  |
| Non-current assets held for sale                  | -                 | -                  | -                                | -                           |
| 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                   |
| <b>Indirect inflows, administered and managed</b> | <b>17,082,615</b> | <b>-</b>           | <b>-</b>                         | <b>17,082,615</b>           |

Notes:

(1) including other operating expenses/income

(2) administrative expenses, net adjustments on tangible and intangible assets

(3) net value adjustments for impairment of loans and financial assets, allocations to provisions for risks and charges, goodwill

(4) net of debt securities held to collect (HTC) recognised at amortised cost and shown under financial assets

## PART M - LEASE DISCLOSURE

### SECTION 1 - LESSEE

#### **Qualitative information**

As required by IFRS 16 "Leases" Banco Desio assesses for contracts that confer the right to control the use of an identified asset (ref. IFRS 16.B9 and paragraphs B13-B20) for a certain period of time, over the period of use, if both of the following requirements are met:

- a) The right to obtain substantially all economic benefits from the use of the identified asset, as described in paragraphs B21-B23;
- b) The right to direct the use of the identified asset, as described in paragraphs B24-B30.

Consequently, when a lease is identified and the asset is made available for use by the lessee, the Bank recognises:

- a liability consisting of lease payments due (i.e. Lease Liability). This liability is initially recognised at the present value of future lease payments discounted at the interest rate implicit in the lease or, if that rate cannot be readily determined, at the lessee's incremental borrowing rate;
- an asset consisting of the right of use (i.e. RoU Asset). This asset is initially recognised as the sum of lease liability, initial direct costs, payments made on or before the effective date of the contract net of lease incentives received, and decommissioning costs.

These assets are recognised separately according to the type of assets identified, which in Banco Desio are represented exclusively by properties and cars.

Banco Desio has adopted some of the practical expedients and recognition exemptions provided for in IFRS16 "Leases":

- contracts with a value of the underlying asset of less than or equal to Euro 5,000 at the date of initial application are excluded (so-called low value assets);
- contracts with a total lease term of less than or equal to 12 months are excluded (so-called short-term assets);
- initial direct costs are excluded from the valuation of the RoU Asset at the date of initial application.

The estimated decommissioning costs are not taken into account for the purpose of determining the RoU Asset, as these costs are only to be considered at the effective date of the lease agreement.

With reference to the Lease term, Banco Desio has decided to consider only the first renewal period as reasonably certain for new contracts, unless there are contractual clauses that prohibit this, or, facts or circumstances that lead to additional renewals being considered or to the end of the lease contract. For contracts existing at the FTA date, a renewal period was added if the contract was in the first contractual period (i.e. the first renewal period had not yet expired), or if the contract was in a renewal period subsequent to the first one but the deadline for notice of termination had expired.

With reference to the rate for discounting future lease payments, Banco Desio has decided to use a single interest rate curve as the incremental borrowing rate, also considering a floor of 0% for maturities where rates are negative. This curve is based on a risk free rate (i.e. market interest rate) and a financing spread (i.e. tenant credit risk), and is amortising. Typically, the lease agreement does not provide for a single payment at maturity, but rather for a periodic payment of the lease instalments throughout the term of the contract, leading to a decreasing trend in the residual debt.

### **Quantitative information**

With reference to the assets and liabilities related to lease agreements outstanding at 31 December 2023, the following balances are shown:

- a "RoU Asset" of Euro 56.5 million relating to properties and Euro 0.8 million relating to cars;
- a "Lease Liability" of Euro 57.9 million relating to properties and Euro 0.8 million relating to cars.

During the year, charges of Euro 11,903 thousand were recognised in connection with lease agreements, of which Euro 1,163 thousand was recognised under "Interest expense" and Euro 10,740 thousand under "Net value adjustments on tangible assets" as depreciation of the right of use.

It is noted, in particular, that the depreciation recognised in the income statement refers to:

- Euro 370 thousand for cars,
- Euro 10,370 thousand for properties.

The total costs for the year referring to lease agreements and not covered by IFRS 16 (so-called low-value assets and short-term assets) amounted to Euro 2,202 thousand.

With reference to the "Lease liability" recognised at 31 December 2023, amounting to a total of Euro 58,693 thousand, a breakdown of the liabilities by residual maturity date is provided below:

- Euro 10,503 thousand within 12 months;
- Euro 17,945 thousand from 1 to 3 years;
- Euro 14,000 thousand from 3 to 5 years;
- Euro 16,245 thousand over 5 years.

## SECTION 2 - LESSOR

### Qualitative information

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

### Quantitative information

#### 2.1 Classification by time band of payments to be received and reconciliation with loans for leases recorded under assets

|                                        | 31.12.2023                | 31.12.2022                |
|----------------------------------------|---------------------------|---------------------------|
| Time bands                             | Lease payments receivable | Lease payments receivable |
| Up to 1 year                           | 45,696                    | 40,187                    |
| Over 1 year to 2 years                 | 44,492                    | 35,065                    |
| Over 2 years to 3 years                | 33,701                    | 32,202                    |
| Over 3 years to 4 years                | 25,782                    | 25,494                    |
| Over 4 years to 5 years                | 13,599                    | 16,540                    |
| Over 5 years                           | 16,256                    | 27,377                    |
| <b>Total lease payments receivable</b> | <b>179,526</b>            | <b>176,865</b>            |
| <b>RECONCILIATION WITH FINANCING</b>   |                           |                           |
| Financial income not accrued (-)       | 13,195                    | 14,600                    |
| Unsecured residual value (-)           | -                         | -                         |
| <b>Loans for leases</b>                | <b>166,331</b>            | <b>162,265</b>            |

The table provides the classification by time bands of lease payments receivable and the reconciliation between lease payments receivable and lease financing, in accordance with IFRS 16, paragraph 94. It should be noted, in particular, that lease payments receivable, representing the sum of principal and interest payments due, are shown gross of adjustment provisions. The reconciliation with lease loans, shown in the financial statements as part of financial assets measured at amortised cost in Table 4.2 "Financial assets measured at amortised cost: breakdown of loans to customers", is carried out by subtracting non-accrued financial gains and value adjustments related to the same loans in the amount of Euro 11,922 thousand (Euro 11,238 thousand at the end of the comparison period).

**Certification of the Consolidated Financial  
Statement pursuant to Article 154-bis of  
Legislative Decree 58/98**



## **CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS**

### **PURSUANT TO ARTICLE 154 BIS OF LEGISLATIVE DECREE 58/98**

1. The undersigned Alessandro Decio, Chief Executive Officer, and Mauro Walter Colombo, Financial Reporting Manager, of Banco di Desio e della Brianza S.p.A. certify, also taking into account the provisions of article 154-bis, paragraphs 3 and 4, of Legislative Decree No. 58 of 24 February 1998:
  - the adequacy in relation to the characteristics of the company and
  - the actual application of the administrative and accounting procedures for the preparation of the consolidated financial statements for 2023.
2. The assessment of the adequacy of the administrative and accounting procedures for the preparation of the consolidated financial statements at 31 December 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 consolidated financial statements:
    - a. are prepared in compliance with the applicable international accounting standards endorsed by the European Community pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and Council, of 19 July 2002;
    - b. correspond to the information contained in the accounting ledgers and records;
    - c. provide a true and fair representation of the equity, economic and financial situation of the Issuer and the whole of the companies included in the scope of consolidation.
  - 3.2 the report on operations contains a reliable analysis of the trend and results of operations, as well as the business of the issuer and of all entities included in the scope of consolidation, together with a description of the main risks and uncertainties to which they are exposed.

*Desio, 29 February 2024*

Chief Executive Officer  
*Alessandro Decio*

Financial Reporting Manager  
*Mauro Walter Colombo*

## **Report of the Independent auditors to the Consolidated Financial Statements**



KPMG S.p.A.  
Revisione e organizzazione contabile  
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(This independent auditors' report has been translated into English solely for the convenience of international readers. Accordingly, only the original Italian version is authoritative.)

## **Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014**

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

### **Report on the audit of the consolidated financial statements**

#### **Opinion**

We have audited the consolidated financial statements of the Banco Desio Group (the "group"), which comprise the consolidated balance sheet as at 31 December 2023, the consolidated income statement and the consolidated statement of comprehensive income, statement of changes in consolidated equity and consolidated cash flow statement for the year then ended and notes thereto, which include material information on the accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Banco Desio Group as at 31 December 2023 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and article 43 of Legislative decree no. 136/15.

#### **Basis for opinion**

We conducted our audit in accordance with the International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the consolidated financial statements" section of our report. We are independent of Banco di Desio e della Brianza S.p.A. (the "parent") in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Key audit matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KPMG S.p.A. è una società per azioni di diritto italiano e fa parte del network KPMG di entità indipendenti affiliate a KPMG International Limited, società di diritto inglese.

Ancona Bari Bergamo  
Bologna Bolzano Brescia  
Catania Como Firenze Genova  
Lecce Milano Napoli Novara  
Padova Palermo Pietra Perugia  
Pescara Roma Torino Treviso  
Trieste Varese Verona

Società per azioni  
Capitale sociale  
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20124 Milano MI ITALIA



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**Classification and measurement of loans and receivables with customers recognised under financial assets at amortised cost**

Notes to the consolidated financial statements "Part A - Accounting policies": paragraph A.2.3 "Financial assets measured at amortised cost"

Notes to the consolidated financial statements "Part B - Information on the consolidated balance sheet - Assets": section 4 "Financial assets measured at amortised cost"

Notes to the consolidated financial statements "Part C - Information on the consolidated income statement": paragraph 8.1 "Net value adjustments for credit risk related to financial assets at amortised cost: breakdown"

Notes to the consolidated financial statements "Part E - Information on risks and related hedging policies": paragraph 1.1 "Credit risk"

| Key audit matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Audit procedures addressing the key audit matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Lending to customers is one of the group's core activities. Loans and receivables with customers recognised under financial assets at amortised cost totalled €14,025 million at 31 December 2023, accounting for 78% of total assets.</p> <p>Net impairment losses on loans and receivables with customers recognised in profit or loss during the year totalled €58 million.</p> <p>For classification purposes, the directors make analyses that are sometimes complex in order to identify those positions that show both an increase in credit risk and evidence of impairment after disbursement. To this end, they consider both internal information about the performance of exposures and external information about the reference sector or the borrowers' overall exposure to banks.</p> <p>Measuring loans and receivables with customers is a complex activity, with a high degree of uncertainty and subjectivity, with respect to which the directors apply internal valuation models that consider many quantitative and qualitative factors, including historical collection flows, expected cash flows and related estimated collection dates, the existence of any indicators of impairment, an assessment of any guarantees, the impact of macroeconomic variables, future scenarios and risks of the sectors in which the parent's and the group companies' customers operate.</p> <p>The complexity of the directors' estimation process has been affected by the geopolitical uncertainties which have an impact on the current economic conditions and potential future macroeconomic scenarios and have severely affected the energy market, supply chains, inflationary pressure and its effect on monetary policies, leading central banks to raise interest rates in the main economies, and real estate market trends and indicators. This required the directors to revisit the valuation processes and methods.</p> | <p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>gaining an understanding of the parent's and group companies' processes and IT environments in relation to the disbursement, monitoring, classification and measurement of loans and receivables with customers;</li> <li>assessing the design and implementation of controls and performing procedures to assess the operating effectiveness of material controls, especially in relation to the identification of exposures with indicators of impairment and the calculation of impairment losses;</li> <li>analysing the classification criteria used for allocating loans and receivables with customers to the IFRS 9 categories (staging);</li> <li>analysing the individual and collective impairment assessment policies and models used and checking the reasonableness of the main assumptions and variables included therein, as well as the adjustments made as a result of the financial effects of the geopolitical situation. We carried out these procedures with the assistance of experts of the KPMG network;</li> <li>selecting a sample of exposures tested collectively, checking the application of the measurement models applied and checking that the impairment rates applied complied with those provided for in such models;</li> <li>selecting a sample of exposures tested individually and checking the reasonableness of the indicators of impairment identified and</li> </ul> |



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| Key audit matter                                                                                                                                                                              | Audit procedures addressing the key audit matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| For the above reasons, we believe that the classification and measurement of loans and receivables with customers recognised under financial assets at amortised cost are a key audit matter. | <p>of the assumptions about their recoverability, including considering the guarantees received;</p> <ul style="list-style-type: none"> <li>analysing the significant changes in the loan and receivable categories and in the related impairment rates compared to the previous years' figures and discussing the results with the relevant internal departments;</li> <li>assessing the appropriateness of the disclosures about loans and receivables with customers recognised under financial assets at amortised cost.</li> </ul> |

#### *Classification and measurement of financial assets at fair value levels 2 and 3*

Notes to the consolidated financial statements "Part A – Accounting policies": paragraphs A.2.1 "Financial assets measured at fair value through profit or loss", A.2.2 "Financial assets measured at fair value through other comprehensive income", A.2.4 "Hedging transactions" and A.4 "Information on fair value"

Notes to the consolidated financial statements "Part B - Information on the consolidated balance sheet - Assets": sections 2 "Financial assets measured at fair value through profit or loss", 3 "Financial assets measured at fair value through other comprehensive income" and 5 "Hedging derivatives"

Notes to the consolidated financial statements "Part C - Information on the consolidated income statement": sections 4 "Net trading result", 5 "Net hedging result" and 7 "Result of financial assets and liabilities at fair value through profit or loss"

Notes to the consolidated financial statements "Part E - Information on risks and related hedging policies": paragraphs 1.2 "Market risks" and 1.3 "Derivatives instruments and related hedging policies"

| Key audit matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Audit procedures addressing the key audit matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Trading in and holding financial instruments are two of the parent's and group companies' core activities. The consolidated financial statements at 31 December 2023 include financial assets at fair value of €1,016 million.</p> <p>A portion thereof, equal to €159 million, is made up of financial assets at fair value without a quoted price on an active market. The parent's and group companies' directors have classified them in levels 2 and 3 of the fair value hierarchy.</p> <p>Classifying and, especially, measuring fair value levels 2 and 3 financial instruments require a high level of judgement given the complexity of the models and parameters used.</p> <p>The complexity of the above procedure has also been affected by the geopolitical uncertainties and the related effects on the main economic and financial variables.</p> | <p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>gaining an understanding of the parent's and group companies' processes and IT environments in relation to the trading, classification and measurement of financial instruments;</li> <li>assessing the design and implementation of controls and performing procedures to assess the operating effectiveness of material controls, especially in relation to the classification and measurement of financial instruments with fair value levels 2 and 3, also in the light of the financial effects of geopolitical situation;</li> <li>checking, on a sample basis, that the financial instruments had been correctly classified on the basis of their fair value level;</li> </ul> |





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| Key audit matter                                                                                                                                   | Audit procedures addressing the key audit matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|----------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| For the above reasons, we believe that the classification and measurement of financial assets at fair value levels 2 and 3 are a key audit matter. | <ul style="list-style-type: none"> <li>for a sample of financial instruments with fair value levels 2 and 3, assessing the reasonableness of the parameters used by the directors for their measurement, also in the light of the financial effects of the geopolitical situation; we carried out these procedures with the assistance of experts of the KPMG network;</li> <li>analysing the changes in the composition of the financial instrument portfolios compared to the previous year end and discussing the results with the relevant internal departments;</li> <li>assessing the appropriateness of the disclosures about financial instruments and related fair value levels.</li> </ul> |

**Recognition of the business combination of the two business units acquired from the BPER Group and assessment of the purchase price allocation**

Notes to the consolidated financial statements "Part A - Accounting policies": paragraph A.2.16 "Other information - Business combinations transactions: purchase price allocation"

Notes to the consolidated financial statements "Part G - Business combinations involving businesses or business units": section 1 "Transactions realised during the year"

| Key audit matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Audit procedures addressing the key audit matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>In 2023, the parent acquired two business units, comprising a total of 48 bank branches (located in Liguria, Emilia-Romagna, Lazio, Tuscany and Sardinia), from the BPER Group for €3.3 million (the "transaction").</p> <p>Since this is a business combination, the parent's directors accounted for it in accordance with IFRS 3 and, therefore, they identified the acquisition date, calculated the purchase price and allocated it (purchase price allocation, or "PPA").</p> <p>The PPA procedure gave rise to a post-tax gain from a bargain purchase (negative goodwill) of €51 million, i.e., the difference between the consideration transferred in the business combination and the fair value of the assets acquired and liabilities assumed, which is recognised in the consolidated financial statements at 31 December 2023.</p> <p>Due to the materiality of the transaction and considering that the PPA procedure required a high level of judgement of the parent's directors, we believe that the recognition of the above business combination is a key audit matter.</p> | <p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>analysing the contract documents relating to the transaction;</li> <li>checking the consistency of the accounting treatment applied by the parent to the transaction with the IFRS;</li> <li>checking, on a sample basis, the accuracy of the accounting records;</li> <li>analysing the valuation approach, assumptions and methods used to measure the acquisition-date fair value of the assets acquired and liabilities assumed, with specific reference to loans and receivables with customers and banks, previously-unrecognised intangible assets, property and equipment and amounts due to banks and customers. We carried out these procedures with the assistance of experts of the KPMG network;</li> </ul> |



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| Key audit matter | Audit procedures addressing the key audit matter                                                                                                                                                                                                                                                                                                                                |
|------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                  | <ul style="list-style-type: none"><li>• checking the tax treatment of the differences between the fair value and carrying amount of the assets acquired and liabilities assumed. We carried out these procedures with the assistance of experts of the KPMG network;</li><li>• assessing the appropriateness of the disclosures about the above business combination.</li></ul> |

#### ***Responsibilities of the parent's directors and board of statutory auditors ("Collegio Sindacale") for the consolidated financial statements***

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and article 43 of Legislative decree no. 136/15 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the group's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the consolidated financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the parent or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the group's financial reporting process.

#### ***Auditors' responsibilities for the audit of the consolidated financial statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control;



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- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the measures taken to eliminate those threats or the safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are, therefore, the key audit matters. We describe these matters in this report.

#### *Other information required by article 10 of Regulation (EU) no. 537/14*

On 23 April 2020, the parent's shareholders appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2021 to 31 December 2029.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the parent in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.





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## Report on other legal and regulatory requirements

### *Opinion on the compliance with the provisions of Commission Delegated Regulation (EU) 2019/815*

The parent's directors are responsible for the application of the provisions of Commission Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (ESEF) to the consolidated financial statements at 31 December 2023 to be included in the annual financial report.

We have performed the procedures required by Standard on Auditing (SA Italia) 700B in order to express an opinion on the compliance of the consolidated financial statements with Commission Delegated Regulation (EU) 2019/815.

In our opinion, the consolidated financial statements at 31 December 2023 have been prepared in XHTML format and have been marked up, in all material respects, in compliance with the provisions of Commission Delegated Regulation (EU) 2019/815.

Due to certain technical limitations, some information included in the notes to the consolidated financial statements when extracted from the XHTML format to an XBRL instance may not be reproduced in an identical manner with respect to the corresponding information presented in the consolidated financial statements in XHTML format.

### *Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98*

The parent's directors are responsible for the preparation of the group's reports on operations and on corporate governance and ownership structure at 31 December 2023 and for the consistency of such reports with the related consolidated financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the report on operations and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the group's consolidated financial statements at 31 December 2023 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the report on operations and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the group's consolidated financial statements at 31 December 2023 and have been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.



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*Statement pursuant to article 4 of the Consob regulation implementing Legislative decree no. 254/16*

The directors of Banco di Desio e della Brianza S.p.A. are responsible for the preparation of a consolidated non-financial statement pursuant to Legislative decree no. 254/16. We have checked that the directors had approved such consolidated non-financial statement. In accordance with article 3.10 of Legislative decree no. 254/16, we attested the compliance of the consolidated non-financial statement separately.

Milan, 22 March 2024

KPMG S.p.A.

(signed on the original)

Alessandro Nespoli  
Director of Audit

## **Public Disclosure State by State**

## PUBLIC DISCLOSURE STATE BY STATE

(pursuant to Bank of Italy Circular No. 285 of 17 December 2013 "Supervisory Provisions for Banks" - 44th update of 19 December 2023)

Below is the information relating to points a), b), c), d), e) and f) of Annex A of Part One, Title III, Chapter 2 of the cited Supervisory Provisions for Banks.

### Situation resulting from the consolidated financial statements for the year ended 31 December 2023

As a result of the corporate events that have occurred in recent years, which have from time to time been disclosed to the public by means of press releases or as part of periodic financial reporting, the Banco Desio Group, at 31 December 2023, is based exclusively in Italy.

#### a) Name of the companies established and nature of the activity

Banco di Desio e della Brianza S.p.A., with registered office in Desio, via E. Rovagnati 1, is the parent company of the Banco Desio Banking Group, registered in the Register of Banking Groups under No. 3440/5.

The Banco Desio Group consists of the parent company Banco di Desio e della Brianza S.p.A., the subsidiary Fides S.p.A., with registered office in Rome, Viale Regina Margherita 279, the special purpose vehicle Desio OBG S.r.l. with registered office in Conegliano and the special purpose vehicle Coppedè SPV S.r.l. with registered office in Conegliano.

In addition to its traditional credit intermediation activities, Banco di Desio e della Brianza offers asset management services, life and non-life bancassurance products, payment systems, factoring products, lease and consumer credit, also through its subsidiary Fides, a financial intermediary registered in accordance with Article 106 TUB, which provides loans to public and private employees.

#### Information/Geographical area

|                                                                       |                    | Italy    |
|-----------------------------------------------------------------------|--------------------|----------|
| b) Turnover <sup>(1)</sup>                                            | Euro<br>thousands  | 561,709  |
| c) Number of employees on a full-time equivalent basis <sup>(2)</sup> | Number of<br>units | 2,340    |
| d) Profit before taxes <sup>(3)</sup>                                 | Euro<br>thousands  | 204,057  |
| e) Taxes on profit <sup>(4)</sup>                                     | Euro<br>thousands  | (63,708) |
| f) Public contributions received <sup>(5)</sup>                       | Euro<br>thousands  | -        |

#### Notes:

<sup>(1)</sup> the figure represents item 120 "Net banking income" in the consolidated income statement.

<sup>(2)</sup> the number of employees was calculated by considering the total number of hours actually worked by all employees, excluding overtime, minus the contractually agreed weekly working time for full-time employees, multiplied by 52 weeks minus 25 days - conventionally defined - for the holiday period.

<sup>(3)</sup> the figure represents the sum of items 290 "Profit (Loss) from current operations before taxes" and 320 "Profit (Loss) from discontinued operations" (the latter before taxes) of the Income Statement of the Consolidated financial statements.

<sup>(4)</sup> the figure represents the sum of item 300 "Income taxes for the year on current operations" and item 320 "Profit (Loss) from Discontinued Operations" (for the tax portion only) of the Income Statement of the Consolidated financial statements.

<sup>(5)</sup> the figure indicates public grants not taken into account in the state aid schemes reported in Part A of the Notes to the Financial Statements.

## **Report on Operations**

## Introduction

The figures and alternative performance indicators presented in this Report on Operations, as well as comments on the composition of items and changes where applicable, refer to the Balance Sheet in the Financial Statements as well as the Reclassified Income Statement prepared from the 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 on 20 February 2023, including those arising from the Purchase Price Allocation (PPA) process definitively determined at the reporting date pursuant to IFRS 3 Business Combinations.

In defining the contents of the explanatory notes, account was also taken of the indications contained in the Consob Note of 27 October 2023, in the ESMA document "European common enforcement priorities for 2023 annual financial reports" of 25 October 2023, as well as in the 8th update of 17 November 2022 of the Bank of Italy's Circular 262 "Banks' financial statements: formats and rules for preparation", as well as Consob Note of 27 October 2023 relating to the ESMA document "European common enforcement priorities for 2023 annual financial reports" of 25 October 2023, insofar as applicable.

## 1 - Alternative Performance Indicators (APIs)

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

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

These indicators are based on the European Securities and Markets Authority (ESMA) guidelines of 5 October 2015 (ESMA/2015/1415), incorporated in Consob Communication No. 0092543 of 3 December 2015. Adhering to the indications contained in the update of document "ESMA32\_51\_370 - Question and answer - ESMA Guidelines on Alternative Performance Measures (APMS)", published on 17 April 2020, no changes were made to the APIs and no new ad hoc indicators were introduced to separately highlight the effects resulting from ongoing war conflicts and the Covid-19 epidemic.

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

### Balance sheet values

| Amounts in Euro thousands                              | 31.12.2023 | 31.12.2022 | Changes    |        |
|--------------------------------------------------------|------------|------------|------------|--------|
|                                                        |            |            | abs.       | %      |
| Total assets                                           | 18,511,105 | 17,512,772 | 998,333    | 5.7%   |
| Financial assets                                       | 3,957,354  | 4,018,412  | -61,058    | -1.5%  |
| Cash and cash equivalents <sup>(1)</sup>               | 1,654,697  | 879,414    | 775,283    | 88.2%  |
| Loans with banks <sup>(2)</sup>                        | 282,619    | 216,773    | 65,847     | 30.4%  |
| Loans to customers <sup>(2)</sup>                      | 11,648,092 | 11,472,208 | 175,885    | 1.5%   |
| Tangible assets <sup>(3)</sup>                         | 228,041    | 217,639    | 10,402     | 4.8%   |
| Intangible assets                                      | 34,696     | 12,925     | 21,771     | 168.4% |
| Non-current assets and groups of assets held for sale  | 0          | 1          | -1         | n.s.   |
| Payables to banks                                      | 1,950,065  | 3,381,350  | -1,431,285 | -42.3% |
| Payables to customers <sup>(4)</sup> <sup>(5)</sup>    | 12,497,939 | 11,113,575 | 1,384,364  | 12.5%  |
| Securities issued                                      | 2,280,448  | 1,536,151  | 744,297    | 48.5%  |
| Equity (including Profit for the period)               | 1,347,800  | 1,118,613  | 229,187    | 20.5%  |
| Own Funds                                              | 1,369,800  | 1,138,412  | 231,387    | 20.3%  |
| Total indirect inflows                                 | 20,075,207 | 17,082,615 | 2,992,592  | 17.5%  |
| of which Indirect inflows from ordinary customers      | 12,683,668 | 10,135,327 | 2,548,341  | 25.1%  |
| of which Indirect inflows from institutional customers | 7,391,539  | 6,947,288  | 444,251    | 6.4%   |

<sup>(1)</sup> At 31 December 2023, Cash and Cash Equivalents included the current accounts, demand deposits and the amount on demand of Euro 1.5 billion 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)

<sup>(2)</sup> 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 and cash equivalents

<sup>(3)</sup> the balance of the item at 31 December 2023 includes the right of use (RoU Asset) amounting to Euro 54.7 million in respect of operating leases falling under the scope of IFRS 16 Leases, which came into effect as of 1 January 2019

<sup>(4)</sup> 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 IFRS 16

<sup>(5)</sup> Including inflows repurchase agreements with institutional customers in the amount of Euro 608 million (Euro 503 million at 31 December 2022)

### Income statement values <sup>(6)</sup>

| Amounts in Euro thousands             | 31.12.2023 | 31.12.2022 | Changes |        |
|---------------------------------------|------------|------------|---------|--------|
|                                       |            |            | abs.    | %      |
| Operating income                      | 560,912    | 471,824    | 89,088  | 18.9%  |
| of which Net interest income          | 333,353    | 253,578    | 79,775  | 31.5%  |
| Operating expenses                    | 310,785    | 263,816    | 46,969  | 17.8%  |
| Result from operations                | 250,127    | 208,008    | 42,119  | 20.2%  |
| Charges related to the banking system | 13,945     | 14,481     | -536    | -3.7%  |
| Current result after taxes            | 108,950    | 95,174     | 13,776  | 14.5%  |
| Non-recurring result after taxes      | 129,095    | -6,985     | 136,080 | n.s.   |
| Profit (loss) for the year            | 238,045    | 88,189     | 149,856 | 169.9% |

<sup>(6)</sup> from reclassified Income Statement



## Equity, economic and risk ratios

|                                                                           | 31.12.2023 | 31.12.2022 | Changes<br>abs. |
|---------------------------------------------------------------------------|------------|------------|-----------------|
| Equity/Total assets                                                       | 7.3%       | 6.4%       | 0.9%            |
| Equity/Loans to customers                                                 | 11.6%      | 9.8%       | 1.8%            |
| Equity/Payables to customers                                              | 10.8%      | 10.1%      | 0.7%            |
| Equity/Securities issued                                                  | 59.1%      | 72.8%      | -13.7%          |
| Common Equity Tier1 (CET1)/Risk-weighted assets <sup>(7)</sup>            | 18.6%      | 15.9%      | 2.7%            |
| Total Tier 1 capital (T1)/Risk-weighted assets <sup>(7)</sup>             | 18.6%      | 15.9%      | 2.7%            |
| Total Own funds/Risk-weighted assets (Total capital ratio) <sup>(7)</sup> | 19.5%      | 15.9%      | 3.6%            |
| Financial assets/Total assets                                             | 21.4%      | 22.9%      | -1.5%           |
| Loans with banks/Total assets                                             | 1.5%       | 1.2%       | 0.3%            |
| Loans to customers/Total assets                                           | 62.9%      | 65.5%      | -2.6%           |
| Loans to customers/Direct inflows from customers                          | 78.8%      | 90.7%      | -11.9%          |
| Payables to banks/Total assets                                            | 10.5%      | 19.3%      | -8.8%           |
| Payables to customers/Total assets                                        | 67.5%      | 63.5%      | 4.0%            |
| Securities issued/Total assets                                            | 12.3%      | 8.8%       | 3.5%            |
| Direct inflows from customers/Total assets                                | 79.8%      | 72.2%      | 7.6%            |

|                                                                                      | 31.12.2023 | 31.12.2022 | Changes<br>abs. |
|--------------------------------------------------------------------------------------|------------|------------|-----------------|
| Operating expenses/Operating income (Cost/Income ratio)                              | 55.4%      | 55.9%      | -0.5%           |
| (Operating expenses + Banking-related expenses)/Operating income (Cost/Income ratio) | 57.9%      | 59.0%      | -1.1%           |
| Net interest income/Operating income                                                 | 59.4%      | 53.7%      | 5.7%            |
| Result from operations/Operating income                                              | 44.6%      | 44.1%      | 0.5%            |
| Current result after taxes/Equity <sup>(8)</sup>                                     | 9.8%       | 9.2%       | 0.6%            |
| Profit for the year/Equity <sup>(8)</sup> (R.O.E.)                                   | 21.5%      | 8.6%       | 12.9%           |
| Current result before taxes/Total assets (R.O.A.)                                    | 0.9%       | 0.8%       | 0.1%            |

|                                                      | 31.12.2023 | 31.12.2022 | Changes<br>abs. |
|------------------------------------------------------|------------|------------|-----------------|
| Net bad loans/Loans to customers                     | 0.4%       | 0.5%       | -0.1%           |
| Net non-performing loans/Loans to customers          | 1.7%       | 1.7%       | 0.0%            |
| % Coverage of bad loans                              | 69.9%      | 67.4%      | 2.5%            |
| % Coverage of bad loans before write-offs            | 70.2%      | 67.7%      | 2.5%            |
| % Total coverage of non-performing loans             | 49.4%      | 50.2%      | -0.8%           |
| % Coverage of non-performing loans before write-offs | 49.6%      | 50.4%      | -0.8%           |
| % Coverage of performing loans                       | 0.96%      | 0.88%      | 0.08%           |

## Structure and productivity data

|                                                           | 31.12.2023 | 31.12.2022 | Changes<br>abs. | %     |
|-----------------------------------------------------------|------------|------------|-----------------|-------|
| Number of employees                                       | 2,326      | 2,056      | 270             | 13.1% |
| Number of branches                                        | 280        | 232        | 48              | 20.7% |
| <i>Amounts in Euro thousands</i>                          |            |            |                 |       |
| Loans to customers per employee <sup>(9)</sup>            | 5,316      | 5,534      | -218            | -3.9% |
| Direct inflows from customers per employee <sup>(9)</sup> | 6,745      | 6,102      | 643             | 10.5% |

|                                                    | 31.12.2023 | 31.12.2022 | Changes<br>abs. | %     |
|----------------------------------------------------|------------|------------|-----------------|-------|
| Operating income per employee <sup>(9)</sup>       | 256        | 228        | 28              | 12.3% |
| Result from operations per employee <sup>(9)</sup> | 114        | 100        | 14              | 14.0% |

<sup>(7)</sup> capital ratios at 31.12.2023 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 18.6%; Tier 1 18.6%; Total capital ratio 19.5%

<sup>(8)</sup> net of the result for the period

<sup>(9)</sup> based on the number of employees as the arithmetic mean between the period-end figure and the previous year-end figure

## 2 - The reference scenario

With reference to the description of the reference scenario, please refer to the Consolidated Report on Operations.

## 3 - Territorial coverage and issues of corporate relevance

### 3.1 - Distribution channels

The Bank is present in 11 regions in Italy: 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).

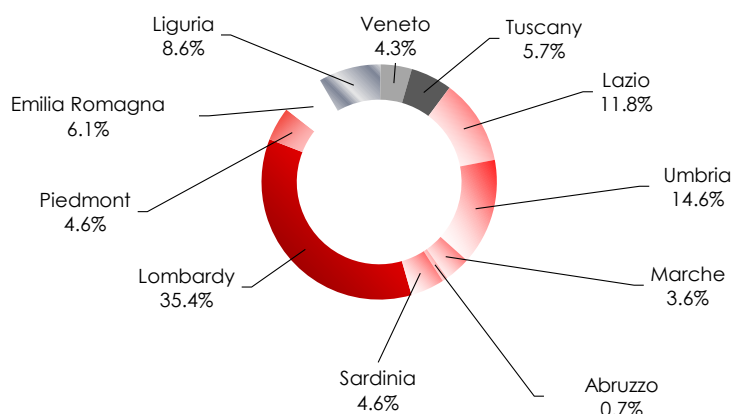
In the current context, which is constantly and rapidly changing, Italian banking customers are becoming increasingly digital. In particular, there has been double-digit growth in internet usage and self channels in recent years. To respond to customer needs and in line with the latest market trends, the Bank is continuing with the creation of 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 Private Banking Area reporting directly to the Wealth Management Department;
- hierarchical and functional reporting to the Financial Advisors Area, reporting directly to the Wealth Management Department.

The following graph provides details of the Bank's territorial presence of the distribution network by region at the end of the 2023 financial year.

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



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 year 2023, 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*

| <i>Breakdown<br/>by region</i> | 31.12.2023                      |                                                              |                                                           | 31.12.2022                      |                                                     |                                                   |
|--------------------------------|---------------------------------|--------------------------------------------------------------|-----------------------------------------------------------|---------------------------------|-----------------------------------------------------|---------------------------------------------------|
|                                | <b>Banco Desio<br/>Branches</b> | <b>of which<br/>branches with<br/>financial<br/>advisors</b> | <b>of which<br/>branches<br/>with private<br/>bankers</b> | <b>Banco Desio<br/>Branches</b> | <b>of which<br/>branches<br/>with<br/>financial</b> | <b>of which<br/>branches<br/>with<br/>private</b> |
| Lombardy                       | 99                              | 8                                                            | 27                                                        | 99                              | 7                                                   | 28                                                |
| Piedmont                       | 13                              | 5                                                            | 4                                                         | 13                              | 3                                                   | 3                                                 |
| Emilia Romagna                 | 17                              | 4                                                            | 5                                                         | 10                              | 3                                                   | 3                                                 |
| Liguria                        | 24                              | 2                                                            | 4                                                         | 5                               | 1                                                   | 0                                                 |
| Veneto                         | 12                              | 3                                                            | 1                                                         | 12                              | 3                                                   | 1                                                 |
| Tuscany                        | 16                              | 0                                                            | 2                                                         | 12                              | 0                                                   | 2                                                 |
| Lazio                          | 33                              | 1                                                            | 2                                                         | 28                              | 2                                                   | 2                                                 |
| Umbria                         | 41                              | 5                                                            | 5                                                         | 41                              | 9                                                   | 6                                                 |
| Marche                         | 10                              | 6                                                            | 2                                                         | 10                              | 6                                                   | 2                                                 |
| Abruzzo                        | 2                               | 1                                                            | 0                                                         | 2                               | 1                                                   | 0                                                 |
| Sardinia                       | 13                              | 0                                                            | 0                                                         | 0                               | 0                                                   | 0                                                 |
| <b>Total</b>                   | <b>280</b>                      | <b>35</b>                                                    | <b>52</b>                                                 | <b>232</b>                      | <b>35</b>                                           | <b>47</b>                                         |

## 3.2 - Significant corporate events

### *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 financial year amounted to Euro 88,189,252.14. In this context, the Shareholders' Meeting approved the distribution to shareholders of a dividend, amounting to Euro 0.1969 for each of the 134,363,049 ordinary shares. In accordance with the Stock Exchange calendar, the dividend 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.p.A., which expressed 50.41% of the share capital, while the minority list was submitted by Fondazione Cassa di Risparmio Terni e Narni, which expressed 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         | Chairman                    |
| 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    |

#### Statutory Auditors

|                      |                 |
|----------------------|-----------------|
| Emiliano BARCAROLI   | Chairman (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 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)     |

#### Risk Control 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 Related Party Transactions 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](http://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. 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.

This procedure ended on 28 September 2023 with the acknowledgement of the resignation of the first non-elected candidate of the minority list and the Board's decision to postpone the co-option of a Director, pending the next Meeting for the approval of the financial statements for the current year, when the same list will be able to reappoint one of its candidates in accordance with the applicable provisions.

#### *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") from 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 following section "Part G - Business combinations involving companies or business units" in the notes.

#### *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 two 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 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 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 IINFO storage platform (at the address [www.iinfo.it](http://www.iinfo.it)), as well as on the Banco Desio website (section The Bank/Governance/Corporate documents/Related parties).

#### *Issuance of Covered Bonds for institutional investors*

On 5 September 2023, Banco Desio successfully completed the placement of a Covered Bond issue under its Guaranteed Bank Bonds programme (OBG, rated AA by Fitch) for a total amount of Euro 400 million with a maturity of 4.5 years intended for institutional investors.

This is the first European Covered Bond (Premium) issue realised by Banco Desio in compliance with the new European directive implemented in Italy on 30 March 2023.

The issue book-building process attracted a particularly strong demand of over Euro 900 million from around 50 institutional investors globally, which allowed pricing to be reduced to +75bps over mid-swap with a 4% fixed coupon paid annually.

The transaction allows the completion of the 2023 Banco Desio Funding Plan by expanding access to the wholesale funding market in several jurisdictions.

For further information on the transaction, please refer to the appropriate press release published on the website [www.bancodesio.it](http://www.bancodesio.it).

### *MREL Decision*

On 18 September 2023, Banco Desio received notification from the Bank of Italy of its decision on the Minimum Requirement for own funds and Eligible Liabilities (MREL).

The Banco Desio Group, on a consolidated basis, will have to comply with the following requirements:

- MREL in terms of TREA (Total Risk Exposure Amount) of 17.50% (excluding the CBR Combined Buffer Requirement);
- MREL in terms of LRE (Leverage Ratio Exposure) of 5.32%.

The Supervisory Authority has defined a three-year transitional period for the entry into force of the mentioned binding requirements. No additional subordination requirements were attached.

### *Inspections*

On 20 September 2023, the Bank of Italy started two inspections at Banco Desio, concerning "Compliance with regulations on combating money laundering and terrorist financing" and "Governance and control structures of relevant processes with a view to customer protection", these inspections are still ongoing.

### *Extraordinary tax calculated on the increase in the interest margin*

The extraordinary tax calculated on the increase in interest margin, as provided for by Decree Law No. 104 of 10 August 2023 converted with amendments by Law No. 136 of 9 October 2023, for Banco Desio and the Group amounts to approximately Euro 18.6 million.

The Board of Directors of Banco Desio, meeting on 9 November 2023, resolved that it will propose to the Meeting, when approving the draft financial statements for the 2023 financial year, to allocate an amount of at least Euro 46.6 million to the non-distributable reserve, corresponding to Euro 2.5 times the amount of the tax of approximately 18.6 million, in place of the payment of this tax, making use of the option provided for by the aforementioned provision.

The choice is in line with Banco Desio's strategy of creating shared value for its stakeholders, which it intends to support with a view to the sustainable development of the territories in which it operates.

In this regard, reference is made to the subsequent "Proposal for approval of the financial statements and allocation of net profit".

### *2024-2026 Business Plan "Beyond 26"*

On 23 November 2023, the Board of Directors approved the 2024-2026 Business Plan with which Banco Desio aims to become the best proximity bank in Italy through innovation, digital, application of ESG criteria and proximity to customers.

The strategic pillars are the optimisation of the commercial bank and the creation of growth opportunities through specialisation in the Small Business and POE segment, Wealth Management and Personal Finance.

The main targets of the Plan are listed below:

- ROE above 8% in 2026;
- Cost/Income of about 55% in 2026;
- CET1 above 15% in 2026;
- Solid revenue generation with CAGR 2023-2026 of net banking income of about 4.5%;
- Risk profile constantly under control with Gross NPL Ratio below 4% over the Plan;
- Maintained/improved levels of excellence in customer satisfaction (88 pts);
- Growth Wealth Management to exceed Euro 10 billion AUM;



- Acquisition of 10,000 new Small Business customers via dedicated model;
- Doubling, also through extraordinary transactions and acquisitions, the exposure on the Salary-Backed Loan product, strengthening the position of the subsidiary Fides among the market leaders;
- Prudent liquidity profile, LCR higher than 150% in 2026;
- Investment in technological innovation of Euro 60 million (Euro 32 million change the bank, Euro 28 million run the bank).

The Plan envisages strong commitment and ESG investments with the ambition to bring Banco Desio to a position at least in line with the best peers on sustainability issues and support the environmental transition of its customers. Investments of around Euro 8 million and increasing ESG rating ambitions are expected under the Plan, with the aim of developing dedicated service models for green funding for SMEs.

The good contribution of profitability and the strong capital positioning will allow an increase of the dividend payout to 50% to be proposed over the Plan.

For further information, please refer to the specific information published on the Banco Desio institutional website.

### *The plan to integrate E(SG) factors into the decision-making system*

During the year under review, project activities continued on the programme for the progressive interaction of sustainability factors in the Banco Desio decision-making system, which was launched at the beginning of 2022 with the establishment of an E(SG) Working Group, comprising the heads of all company departments, which drew up an action plan, in line with the expectations of the National and European Supervisory Authorities published on the subject, aimed at progressively achieving three objectives:

- *Supporting local communities in the transition to a circular and low-carbon economy* (i.e. NetZero Commitment to 2050, Sustainable & Responsible Investments);
- *Ensuring the gradual compliance of climate-environmental risk management practices* with the expectations defined by national<sup>20</sup> and European<sup>21</sup> supervisory authorities;
- *Publishing integrated sustainability reporting*, in line with the requirements defined by the European Commission on non-financial climate-related disclosure.

During the reporting period, the Plan was enriched and refined with additional initiatives in line with the targets of the new Business Plan mentioned above. In particular:

- *Strategic Address*, aimed at the definition of the ESG competitive positioning up to 2026 functional to the integration of the business plan, the improvement of the ESG ratings assigned by some of the most recognised specialised agencies and the adherence to international initiatives (e.g. NetZero Banking Alliance) of commitment to the decarbonisation of the portfolio;
- *Commitment to the Green Transition (NetZero, Sustainable & Responsible Investments)*, aimed at supporting the economic transition towards a circular and low-carbon economy through the development of ESG financing services and finalisation of activities to adapt the enabling credit process, development of ESG investment and bancassurance services/products, issuance of ESG bonds for retail and institutional customers. The project stream also envisages the enhancement of the ESG training plan for employees in relation to regulatory developments and initiatives undertaken by the Bank;

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<sup>20</sup> Formulated in the Bank of Italy's "Supervisory expectations on climate and environmental risks" of April 2022 and reiterated in the document "Climate and environmental risks Thematic survey on a sample of non-banking intermediaries" of January 2023 and in the document "Action plans on the integration of climate and environmental risks in LSI business processes: main evidence and good practices" of December 2023

<sup>21</sup> Formulated in the European Central Bank's "Climate and environmental risk guide" of November 2020

- *Control system*, aimed at ensuring the progressive integration of ESG factors into the governance and internal control and risk management system (risk management framework, compliance framework and internal audit framework);
- *Public disclosure*, aimed at the publication of sustainability reporting in accordance with the evolving regulatory requirements with regard to reporting on the alignment of activities to the EU Taxonomy (EU Regulation 2020/852) and the preparation of integrated sustainability reporting in accordance with the CSRD Directive (EU Directive 2022/2464) from the financial year 2024;
- *ICT processes and systems*, aimed at enabling commercial, financial, credit, risk management, financial and non-financial reporting business processes in consideration of E(SG) information and normative-regulatory evolutions.

In the continuation of the project activities, the qualifying aspects that emerged from the ongoing dialogue with the National Supervisory Authority will be valorised, which has led, among other things, to the publication of the main results of the analysis of the action plans developed by Less Significant Institutions (LSI) for the progressive integration of climate and environmental risks into corporate strategies, governance and internal control and risk management systems (risk management framework, compliance framework and internal audit framework).

For further information, please refer to the specific disclosure published in the Consolidated Non-Financial Statement (Banco Desio Group Sustainability Report 2023).

#### *Binding agreements signed for entry into the share capital of Dynamica Retail S.p.A.*

On 31 January 2024, Banco Desio announced that it had signed a sale and purchase agreement and an investment agreement with the shareholders of Dynamica Retail S.p.A ("Dynamica"), a company active in the provision of loans to private customers secured by salary-backed loans, concerning the Banco Desio entry into the share capital of Dynamica through the purchase of the majority of the share capital and the subscription of a capital increase reserved for Banco Desio.

With regard to events subsequent to the end of the financial year, please refer to the information in "Section 4 - Events subsequent to the reference date of the financial statements", contained in Part A of the Notes, and in "Section 2 - Transactions realised after the end of the year", contained in Part G of the Notes.

## **4 - Legislative Decree No. 231/2001**

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

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

## 5 - Human resources

### 5.1 - Management and allocation of resources

With the completion of all of the 2020-2023 Business Plan objectives envisaged, the year 2023 represented an important period for Banco Desio, characterised by the implementation of numerous management actions to support resources, also as a result of the extraordinary transactions finalised within the Bank.

In fact, following the strategic agreement, better described in the previous section "3.2 Significant corporate events", with which Banco Desio acquired from the BPER Group two business units with 250 employees and 48 bank branches, 2023 was impacted by the development of the integration process of the acquired resources.

With a view to a path of gradual homogenisation, the knowledge of colleagues was deepened, through the on-boarding programme, team-building initiatives also thanks to the Competence Mapping tool, which guided the development of awareness of people's potential and guided the choices of rotation functional to increasing integration.

The recruitment of specialised profiles, both network and head office, continued in 2023, in line with the objectives of generational transition, investing in new skills and remaining sensitive to the needs of colleagues in view of retirement.

In particular, the sales network is being invested in with the addition of specialised profiles and holders of interesting portfolios, focusing on both the Affluent and Corporate segments and concentrating on the geographical areas with the highest development potential in terms of business areas.

The physiological staff turnover and the need to size the central structures to make them efficient and effective in the dimension of an innovative and fast-paced bank, also led to important investments in the hiring of specialised figures to support ordinary and extraordinary projects and to guarantee the correct support to the expanding sales network.

In October 2023, the professional advancement event took place, an important appointment aimed at enhancing professionalism in the company and supporting the development and growth of colleagues, also with the objective of enhancing young talent and diversity.

The management choices and the attention paid to remuneration policies also for the year 2023 made it possible to enhance the female component, with Gender Gap and Gender Pay Gap levels in line with the ESG objectives that the Bank pursues, thus achieving the Gender Pay Equality target.

At 31 December 2023, the Bank's employees amounted to 2,326 resources, an increase of 270 resources compared to the end of the previous year, mainly due to the entry of 250 employees resulting from the acquisition of business units from the BPER Group mentioned above.

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

Table No. 2 - BREAKDOWN OF BANK EMPLOYEES BY QUALIFICATION

| No. Employees                 | 31.12.2023   |              |              |              |              | 31.12.2022 |              |              |              |              |
|-------------------------------|--------------|--------------|--------------|--------------|--------------|------------|--------------|--------------|--------------|--------------|
|                               | Women        | Incidence %  | Men          | Incidence %  | Total        | Women      | Incidence %  | Men          | Incidence %  | Total        |
| <b>Group employees</b>        | <b>1,016</b> | <b>43.7%</b> | <b>1,310</b> | <b>56.3%</b> | <b>2,326</b> | <b>849</b> | <b>41.3%</b> | <b>1,207</b> | <b>58.7%</b> | <b>2,056</b> |
| Managers                      | 4            | 15.4%        | 22           | 84.6%        | 26           | 4          | 15.4%        | 22           | 84.6%        | 26           |
| Middle managers               | 370          | 31.9%        | 789          | 68.1%        | 1,159        | 297        | 29.1%        | 724          | 70.9%        | 1,021        |
| Remaining personnel           | 642          | 56.3%        | 499          | 43.7%        | 1,141        | 548        | 54.3%        | 461          | 45.7%        | 1,009        |
| <b>External collaborators</b> | <b>36</b>    | <b>32.1%</b> | <b>76</b>    | <b>67.9%</b> | <b>112</b>   | <b>17</b>  | <b>21.0%</b> | <b>64</b>    | <b>79.0%</b> | <b>81</b>    |
| Financial advisors            | 9            | 15.0%        | 51           | 85.0%        | 60           | 6          | 10.9%        | 49           | 89.1%        | 55           |
| Other collaborators           | 27           | 51.9%        | 25           | 48.1%        | 52           | 11         | 42.3%        | 15           | 57.7%        | 26           |
| <b>Total resources</b>        | <b>1,052</b> | <b>43.2%</b> | <b>1,386</b> | <b>56.8%</b> | <b>2,438</b> | <b>866</b> | <b>40.5%</b> | <b>1,271</b> | <b>59.5%</b> | <b>2,137</b> |

Table No. 3 - ENTRIES OF BANK RESOURCES BY QUALIFICATION IN 2023

| No. Employees                 | 31.12.2023 |             |     |             |       | 31.12.2022 |             |     |             |       |
|-------------------------------|------------|-------------|-----|-------------|-------|------------|-------------|-----|-------------|-------|
|                               | Women      | Incidence % | Men | Incidence % | Total | Women      | Incidence % | Men | Incidence % | Total |
| <b>Bank employees</b>         | 191        | 52.2%       | 175 | 47.8%       | 366   | 43         | 48.9%       | 45  | 51.1%       | 88    |
| Managers                      | 0          | 0.0%        | 2   | 100.0%      | 2     | 1          | 100.0%      | 0   | 0.0%        | 1     |
| Middle managers               | 39         | 32.8%       | 80  | 67.2%       | 119   | 19         | 46.3%       | 22  | 53.7%       | 41    |
| Remaining personnel           | 152        | 62.0%       | 93  | 38.0%       | 245   | 23         | 50.0%       | 23  | 50.0%       | 46    |
| <b>External collaborators</b> | 26         | 56.5%       | 20  | 43.5%       | 46    | 8          | 29.6%       | 19  | 70.4%       | 27    |
| Financial advisors            | 3          | 27.3%       | 8   | 72.7%       | 11    | 3          | 23.1%       | 10  | 76.9%       | 13    |
| Other collaborators           | 23         | 65.7%       | 12  | 34.3%       | 35    | 5          | 35.7%       | 9   | 64.3%       | 14    |
| <b>Employees</b>              | 217        | 52.7%       | 195 | 47.3%       | 412   | 51         | 44.3%       | 64  | 55.7%       | 115   |

Table No. 4 - EXITS OF BANK RESOURCES BY QUALIFICATION IN 2023

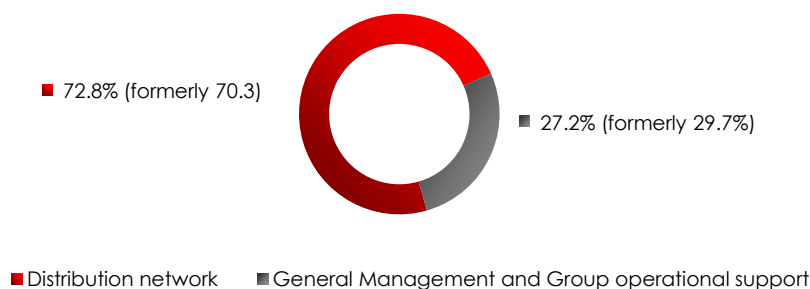
| No. Employees                 | 31.12.2023 |             |     |             |       | 31.12.2022 |             |     |             |       |
|-------------------------------|------------|-------------|-----|-------------|-------|------------|-------------|-----|-------------|-------|
|                               | Women      | Incidence % | Men | Incidence % | Total | Women      | Incidence % | Men | Incidence % | Total |
| <b>Bank employees</b>         | 24         | 25.0%       | 72  | 75.0%       | 96    | 44         | 37.3%       | 74  | 62.7%       | 118   |
| Managers                      | 0          | 0.0%        | 1   | 100.0%      | 1     | 1          | 20.0%       | 4   | 80.0%       | 5     |
| Middle managers               | 6          | 14.6%       | 35  | 85.4%       | 41    | 17         | 25.8%       | 49  | 74.2%       | 66    |
| Remaining personnel           | 18         | 33.3%       | 36  | 66.7%       | 54    | 26         | 55.3%       | 21  | 44.7%       | 47    |
| <b>External collaborators</b> | 10         | 43.5%       | 13  | 56.5%       | 23    | 2          | 40.0%       | 3   | 60.0%       | 5     |
| Financial advisors            | 0          | 0.0%        | 6   | 100.0%      | 6     | 2          | 40.0%       | 3   | 60.0%       | 5     |
| Other collaborators           | 10         | 58.8%       | 7   | 41.2%       | 17    | 0          | 0.0%        | 0   | 0.0%        | 0     |
| <b>Employees</b>              | 34         | 28.6%       | 85  | 71.4%       | 119   | 46         | 37.4%       | 77  | 62.6%       | 123   |

Table No. 5 - BREAKDOWN OF BANK RESOURCES BY AREA

| No. Employees                                     | 31.12.2023 |             |       |             |       | 31.12.2022 |             |       |             |       |
|---------------------------------------------------|------------|-------------|-------|-------------|-------|------------|-------------|-------|-------------|-------|
|                                                   | Women      | Incidence % | Men   | Incidence % | Total | Women      | Incidence % | Men   | Incidence % | Total |
| <b>General Management and operational support</b> | 300        | 44%         | 384   | 56%         | 684   | 269        | 42%         | 367   | 58%         | 636   |
| Employees                                         | 273        | 43%         | 359   | 57%         | 632   | 258        | 42%         | 352   | 58%         | 610   |
| Other collaborators                               | 27         | 52%         | 25    | 48%         | 52    | 11         | 42%         | 15    | 58%         | 26    |
| <b>Distribution network</b>                       | 752        | 43%         | 1,002 | 57%         | 1,754 | 597        | 40%         | 904   | 60%         | 1,501 |
| Employees                                         | 743        | 44%         | 951   | 56%         | 1,694 | 591        | 41%         | 855   | 59%         | 1,446 |
| of which Private Bankers                          | 15         | 21%         | 58    | 79%         | 73    | 16         | 23%         | 53    | 77%         | 69    |
| Financial advisors                                | 9          | 15%         | 51    | 85%         | 60    | 6          | 11%         | 49    | 89%         | 55    |
| <b>Employees</b>                                  | 1,043      | 43.9%       | 1,335 | 56.1%       | 2,378 | 860        | 41.3%       | 1,222 | 58.7%       | 2,082 |

The graph below shows the breakdown of the workforce at the end of the year between General Management and support.

Graph No. 2 - **BREAKDOWN OF EMPLOYEES BY AREA**



For further information, please refer to the specific disclosure published in the Consolidated Non-Financial Statement (Banco Desio Group Sustainability Report 2023).

## 5.2 - The training activity

In continuity with the two previous years, the year 2023 also concluded by confirming a significant investment in training, consistent with the development drivers outlined in the training plan at the beginning of the year. The training programmes provided took the form of activities aimed at both supporting the strengthening of technical knowledge and enhancing the strengthening of behavioural skills, necessary in the exercise of the various organisational roles.

This investment is also confirmed by the training hours recorded, reaching 174,014 total man-hours provided (formerly 133,633), corresponding to 10.6 average days per employee (formerly 8.6) with 40,381 more hours provided than in 2022.

Among the various programmes provided, of particular note was the on-boarding programme addressed to all the resources introduced into the organisational structure through the extraordinary acquisition of 48 branches from Bper Banca, which saw the entry of 250 resources and the establishment of the new Liguria/Sardinia Area. This programme was structured in different phases and delivered in different modalities: video tutorials to illustrate application systems and business procedures, video lessons to explore the world of business and gain knowledge about the commercial offer, and webinars to accompany the Network operations. Furthermore, in order to ensure significant support for the new resources, several members of the various territorial areas were appointed as ambassadors; these resources were involved in specific training activities: from initiatives focused on the interpretation of the role exercised to in-depth thematic studies through the collaboration ensured by the Corporate Functions. Following the delivery of this first training phase, a second intensive phase structured on different thematic areas was carried out to explore and consolidate knowledge on the Bank's processes, procedures and commercial offer.

Below are the 3 pillars on which the 2023 proposal was articulated, describing them in their most representative features:

### 1. The training programmes:

- new multi-disciplinary programmes were realised through micro-learning sequences that allowed the re-use of content within different programmes aimed at different professionals, in order to ensure a learning experience articulated over different areas of expertise;
- particular attention was paid to the way in which content was designed, involving multiple resources from the different corporate functions in both the content construction and delivery phases, with the aim of ensuring pathways focused on corporate processes and procedures.

2. The delivery instruments:

- diversified tools for the collection of professional needs (check lists and surveys) have been included in the framework of training programmes, in order to address in a more targeted way the structured training response according to the real skills gaps that emerged also through the use of assessment;
- a self-planning tool was constructed and proposed to the recipients of the training activity in order to allow them to choose which of the planned sessions to attend, with a view to making the planning of the training activity even more flexible, which is already facilitated through the use of Smart Learning;
- situational case studies were set up within different training programmes in order to make the acquired competences practically applicable.

3. The modalities of delivery:

- on-the-job training was structured differently to support learning making the acquired skills practically applicable: this approach made it possible to increase knowledge about the working tools that can be used to manage professional activities more effectively;
- the use of in-house teaching within multiple training programmes of a technical-professional nature continued, in order to contextualise the delivery of content on the specific organisational reality and respond in a targeted manner to real professional needs;
- the use of interactive tools and gamification dynamics was also enhanced for the discussion of topics related to the regulatory context, in order to facilitate interaction and involvement of the target audience.

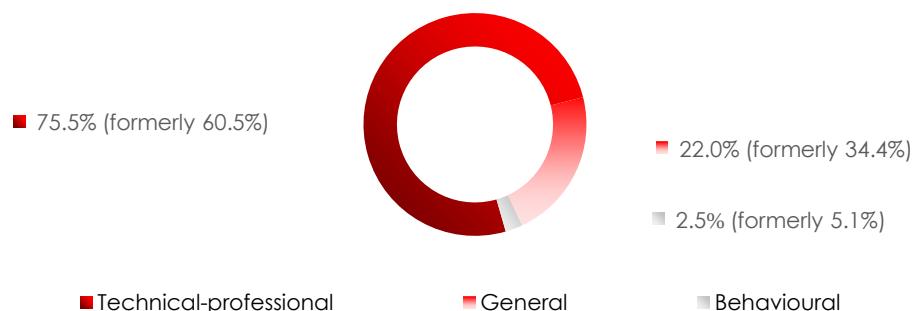
These elements made it possible to continue along the path of realising a diversified learning experience oriented towards providing more and more working tools, useful both for reading and understanding organisational dynamics and for acquiring additional skills necessary to exercise professionalism with increasing awareness. This also includes the programmes, continued in line with the Devel-up project, which has been implemented over the last two years through the lines of action defined in the annual training plan.

The various initiatives provided are represented within the three types of training offered:

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

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

Graph No. 3 - REPRESENTATION OF TRAINING ACTIVITIES BY TYPE



"General" training accounted for 60.5% of total activities

#### o **Regulatory Area**

Within this area on the subject of "Anti-Money Laundering", we would like to mention the initiative addressed to both Branch Managers and Private Bankers with the aim of raising awareness of resources on issues relating to adequate verification and the reporting of suspicious transactions, with a view to ensuring continuous monitoring of money laundering and anti-terrorism risks.

In addition, the topic of "Anti-Money Laundering" was the subject of specific training modules delivered in e-learning through interactive modalities, for example the module "Anti-Money Laundering implications", which illustrates the contents using also situations taken from the operational context, and the "Cheque Game" (to recognise irregular cheques and indicate whether the cheque should be reported to the MEF or not) addressed to the resources belonging to the branch administrative segment: gamification dynamics were used for the realisation of these two modules, in order to facilitate the acquisition of the knowledge covered through the application.

In addition, a training programme was launched with the aim of increasing the awareness of network resources on the Bank's risk management methods and tools: this programme was structured in different modules, the first of which - delivered via webinar - focused on the topic of "Internal and external fraud" and was attended by about 1,460 resources. This form was also finalised on the basis of the results obtained through a survey issued to the entire network population, with the aim of gathering the level of perception with respect to the control of corporate risks and the value that ethics assumes in a corporate context.

In addition, we would like to mention both the "Payment Systems" training programme - which deals with topical issues developed through different situation rooms aimed at applying the knowledge acquired - and the "Cyber Training" programme articulated through multiple videos and information briefs that explore the language of the web by providing useful content in the personal and professional spheres. A specific programme on "privacy" was also addressed to specific HQ Functions in order to contextualise the contents to the relevant organisational context. As part of the on-boarding programme, the modules on "usury", "MOG 231", "whistleblowing" and "POG Banking" will be reintroduced - in continuity with previous years - with further refresher courses to be carried out during 2024. Lastly, we highlight the programmes aimed at new resources (acquisition of 48 branches from Bper Banca), in order to align positions in the field of Health and Safety in the Workplace (fire-fighting and first aid staff, basic programme for workers and for resources appointed as supervisors).

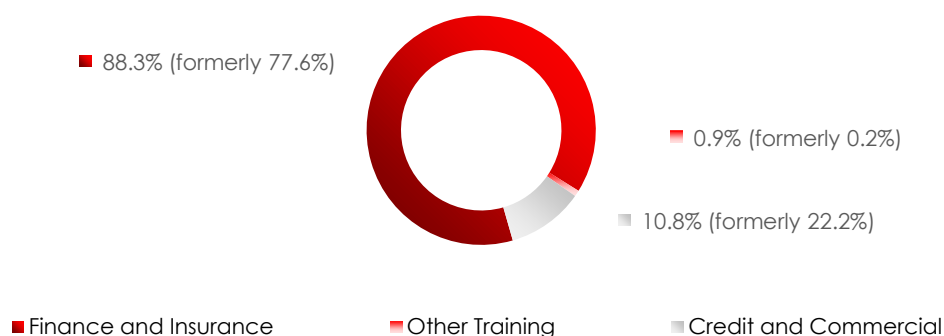
- **Other Training**

The training programme aimed at resources with the profile of Business Data Specialist was launched to support them in building the specialised knowledge required to manage the identified projects. Also worth highlighting is the investment confirmed through participation in inter-company workshops and specialised programmes addressed to the resources of the various Corporate Functions, with the aim of acquiring/updating specific professional knowledge.

"Technical-professional" training recorded an increase of 62.5% of hours provided compared to the previous year.

Below we illustrate the main initiatives aggregated by areas of expertise, highlighting that the programmes belonging to this typology were designed with the aim of accompanying the evolution of new expertise and further enhancing the skills possessed by resources, in line with the specialisation needs required by the business model.

Graph No. 4 - REPRESENTATION OF "TECHNICAL-PROFESSIONAL" TRAINING BY SUBJECT AREA



Below are the main initiatives aggregated by subject area of competence:

- **Finance and Insurance Area (88.3%)**

These two areas record a significant number of training hours delivered.

In particular, it is worth mentioning the launch of the ESMA and IVASS integrated maintenance programme, which was articulated on six different paths defined both according to the results of the ESMA assessment - also used to define the IVASS programmes - and to the project inherent to the "New Model of Insurance Advice and Needs Analysis", introduced through four specific training modules: "Service Model", "Financial Advice", "Protection" and "Pension", addressed to the 1300 resources involved in the project. Particular attention was paid to the composition of the contents inherent to the different professional qualification programmes, consisting of both technical topics such as, for example, "Analysis of the macro-economic scenario", "Risk profiling in investment choices" and Soft Skill modules: "Learning AGILITY" and "Handling objections in insurance brokerage", with the aim of providing fundamental behavioural tools also for the application of specialist knowledge.

With particular reference to the commercial offer, both the "Anthilia Must" sessions and the insurance-focused sessions on the different product lines are highlighted. Lastly, of particular relevance are the two master's degree courses (the first of a pension nature and the second focused on Private Banking and Wealth Management skills) proposed with the aim of further strengthening the specialised skills possessed by the resources involved, also in accordance with business objectives.



- **Credit Area**

All the initiatives belonging to this thematic area were delivered by in-house teaching (by specialists), with the aim of reinforcing the technical knowledge of Network resources in credit matters, contextualising their application.

The training programs carried out on the subject of "Credit merit assessment" and "Mortgage disbursement" were particularly useful, divided into two sessions: the first of an educational nature and the second with a more applicative aspect, in order to provide participants with concrete operational tools for managing operations. Always with the aim of facilitating operations and deepening the knowledge of resources on the various operational steps, we also highlight the on-the-job training sessions, which involved multiple resources from the different territorial areas. With particular reference to the new Liguria-Sardinia Area, specific classroom sessions were dedicated both to RDF on the topic of "Credit and NPL Monitoring" and to resources belonging to the corporate segment on topics such as "Credit Policies" and "Credit Monitoring: CQM", in order to explore some specialised contents acquired during the first on-boarding training phase.

Another thematic module addressed to the corporate segment and RDF is the one concerning the "AIRB rating system", which was the subject of both training activities delivered in e-learning - in continuity with previous years - and specific webinars aimed at aligning operational behaviour and introducing the new indicators, while at the same time responding to the training needs that emerged during the roadshows addressed to the Network.

- **Commercial Area**

In order to acquire and deepen their knowledge of the Bank's commercial offer aimed at the various customer segments, various video lessons were held as part of the on-boarding programme dedicated to the resources newly recruited into the organisational structures: "Consumer Lending: mortgages and personal loans", "E-money", "Companies and Small Businesses" and "Current Accounts". A particular focus was devoted to the digital topic through a training course structured both in multiple training briefs, which proposed a dedicated navigation within the digital tools implemented by the Bank, and through a video lesson exploring the "Digital Evolution in Banco Desio": these initiatives were accompanied by a module dedicated to the Digital Mindset, which stimulated a reflection on the need to acquire an increasingly digital-oriented attitude, providing an overview of the skills needed to acquire such an approach.

In this context, the "Digital Lending" initiative was of particular importance: projects were also introduced through specific training sessions dedicated to the Network.

The use of specialised product modules also continued: "Asset Management", "Structured Finance", "Insurance solutions to protect business risks" and "Family Protection" for different Network professional figures, while - in order to ensure a structured on-boarding path for the new resources introduced into the structure, also facilitating the comparison with the HQ Functions - on-site sessions were also carried out, aimed, in particular, at the corporate segment and RDF.

In the area of "Behavioural" training, we highlight the training proposal addressed to the private network segment, which was structured in different training sessions with the aim of providing behavioural tools to be used in the commercial proposition. As part of this initiative, both relational and emotional aspects were also reflected upon alongside technical preparation.

The "Talent Project" also included the involvement of HQ resources: the aim was confirmed to detect the potential expressed in the evaluation phase and then enhance it. The project - concluded in its first stage in the year 2023 with the return of the feedback, through which resources were given a precise representation of their professional positioning - will continue over the next year through the launch of customised and differentiated training courses, in line with the development plan drawn up for each resource.

In addition, the programmes developed in the area of sustainability are also highlighted: the first is the "Making a difference, enhancing your value" course structured around three behavioural modules proposed with the aim of increasing the awareness that resources possess of their professional assets. In particular, the course focuses on team working skills, which are increasingly in demand in the corporate context, where the ability to work as part of a team is a distinctive and valuable characteristic. The second programme deals with the topic of "Managing differences", addressed to the entire corporate population with the aim of providing relational tools for resources to enhance effectiveness in managing differences within the corporate context.

As part of the Bank's commitment in the "Beyond 26" plan, there is also a plan to strengthen the ESG training plan to be provided to 100% of employees in relation to regulatory changes and initiatives undertaken by the Bank.

The following tables provide details of (i) training by type of training offered, (ii) training by professional classification and (iii) training provided to financial advisors.

Table No. 6 - TRAINING BY TYPE OF TRAINING OFFER

| Training by type of training offer     | 31.12.2023            |             | 31.12.2022            |             |
|----------------------------------------|-----------------------|-------------|-----------------------|-------------|
|                                        | No. hours of training | Incidence % | No. hours of training | Incidence % |
| <b>Behavioural Training</b>            | <b>4,329</b>          | <b>2%</b>   | <b>6,801</b>          | <b>5%</b>   |
| <b>Technical-Professional Training</b> | <b>131,412</b>        | <b>76%</b>  | <b>80,855</b>         | <b>61%</b>  |
| of which:                              |                       |             |                       |             |
| Finance Area                           | 54,668                |             | 14,689                |             |
| Credit Area                            | 7,644                 |             | 3,032                 |             |
| Insurance Area                         | 61,371                |             | 48,075                |             |
| Commercial Area                        | 6,593                 |             | 14,925                |             |
| Other Training                         | 1,136                 |             | 134                   |             |
| <b>General Training</b>                | <b>38,273</b>         | <b>22%</b>  | <b>45,977</b>         | <b>34%</b>  |
| of which:                              |                       |             |                       |             |
| Regulatory Area                        | 36,881                |             | 44,879                |             |
| Other Training                         | 1,392                 |             | 1,098                 |             |
| <b>Total</b>                           | <b>174,014</b>        | <b>100%</b> | <b>133,633</b>        | <b>100%</b> |

Table No. 7 - TRAINING BY PROFESSIONAL CLASSIFICATION

| Training by professional classification | 31.12.2023             |                |                          | 31.12.2022             |               |                          |
|-----------------------------------------|------------------------|----------------|--------------------------|------------------------|---------------|--------------------------|
|                                         | No. Employees involved | No. hours      | Average hours per capita | No. Employees involved | No. hours     | Average hours per capita |
| <b>Managers</b>                         | <b>25</b>              | <b>824</b>     | <b>33.0</b>              | <b>21</b>              | <b>193</b>    | <b>6.2</b>               |
| Men                                     | 21                     | 713            | 34.0                     | 18                     | 153           | 5.7                      |
| Women                                   | 4                      | 111            | 27.6                     | 3                      | 40            | 10.1                     |
| <b>Middle managers</b>                  | <b>1,120</b>           | <b>89,657</b>  | <b>80.1</b>              | <b>990</b>             | <b>28,675</b> | <b>27.7</b>              |
| Men                                     | 762                    | 61,038         | 80.1                     | 708                    | 20,077        | 27.1                     |
| Women                                   | 358                    | 28,619         | 79.9                     | 282                    | 8,598         | 29.0                     |
| <b>Professional Areas</b>               | <b>1,104</b>           | <b>83,533</b>  | <b>75.7</b>              | <b>1,038</b>           | <b>29,771</b> | <b>27.1</b>              |
| Men                                     | 488                    | 38,635         | 79.2                     | 477                    | 14,564        | 28.8                     |
| Women                                   | 616                    | 44,898         | 72.9                     | 561                    | 15,207        | 25.7                     |
| <b>Total</b>                            | <b>2,249</b>           | <b>174,014</b> | <b>77.4</b>              | <b>2,049</b>           | <b>58,639</b> | <b>27.1</b>              |
| <b>Men</b>                              | <b>1,271</b>           | <b>100,386</b> | <b>79.0</b>              | <b>1,203</b>           | <b>34,794</b> | <b>27.3</b>              |
| <b>Women</b>                            | <b>978</b>             | <b>73,628</b>  | <b>75.3</b>              | <b>846</b>             | <b>23,845</b> | <b>26.8</b>              |

Table No. 8 - TRAINING PROVIDED TO FINANCIAL ADVISORS

|                                        | 31.12.2023            |             | 31.12.2022            |             |
|----------------------------------------|-----------------------|-------------|-----------------------|-------------|
|                                        | No. hours of training | Incidence % | No. hours of training | Incidence % |
| <b>Behavioural Training</b>            | <b>325</b>            | <b>6%</b>   | <b>0</b>              | <b>0%</b>   |
| <b>Technical-Professional Training</b> | <b>4,423</b>          | <b>88%</b>  | <b>2,544</b>          | <b>79%</b>  |
| of which:                              |                       |             |                       |             |
| Administrative Area                    |                       |             |                       |             |
| Finance Area                           | 2,354                 |             | 1,113                 |             |
| Foreign Area                           |                       |             |                       |             |
| Credit Area                            | 2                     |             | 48                    |             |
| Insurance Area                         | 2,004                 |             | 876                   |             |
| Commercial Area                        | 63                    |             | 507                   |             |
| External Training                      |                       |             |                       |             |
| Other Training                         |                       |             |                       |             |
| <b>General Training</b>                | <b>294</b>            | <b>6%</b>   | <b>673</b>            | <b>21%</b>  |
| of which:                              |                       |             |                       |             |
| Regulatory Area                        | 293                   |             | 673                   |             |
| Other Training                         | 1                     |             | 0                     |             |
| <b>Total</b>                           | <b>5,042</b>          | <b>100%</b> | <b>3,217</b>          | <b>100%</b> |

For further information, please refer to the specific disclosure published in the Consolidated Non-Financial Statement (Banco Desio Group Sustainability Report 2023).

### 5.3 - Labour relations

In the course of 2023, relations with the Workers' Unions present in the Bank (OO.SS.), in addition to providing the ordinary opportunities for meetings and discussions on legal and contractual issues, allowed for the achievement of specific agreements that, pursuing labour policies in line with industry best practices, renewed also for 2024 the work life balance tools introduced in the year just ended, with the aim of guaranteeing sustainability and corporate welfare initiatives for the benefit of the well-being of people as well as the development of a positive and flexible work environment. In particular:

- accessibility, also for 2024, to the ordinary agile working mode (so-called smart working) for central management staff, in line with the provisions of the national collective agreement and with industry best practices;
- accessibility, also for the year 2024, of the mode of participating in training courses remotely, even outside the workplace of assignment (so-called smart learning up to 4 days per year) in favour of all Resources;
- renewal, for the year 2024, of the so-called "time bank", fuelled by the company and the solidarity of the Resources who decide to join the initiative. The purpose of the time bank is to provide access to an allocation of paid leave in addition to ordinary leave, for the benefit of employees affected by specific and special personal or family needs, including the needs related to employees that are parents;
- the renewal, also for 2024, of the financing conditions reserved for employees, with the provision of specific reductions in the rates envisaged and special protection solutions for employees with outstanding mortgages in view of the changed market scenarios;
- renewal, for the year 2024, of the benefits envisaged as a special contribution in support of disability: in particular, both the economic contribution in favour of workers with dependent children or spouses suffering from serious disability, and the contribution to reimburse expenses incurred for medical instruments and equipment necessary for the same situations of serious disability.

In the first months of the year, trade union relations were particularly focused on the procedure relating to the extraordinary transaction with BPER Banca for the sale to Banco Desio of two business units consisting of 48 former Carige and Banco di Sardegna branches completed with the signing of a specific union agreement dated 3 February 2023.

In the second part of the year 2023, the customary discussions with the trade unions were carried out, beforehand also in the Joint Technical Commission, on the employee health plan, ensuring its continuation throughout the year 2024. Furthermore, the Group's Joint Sustainable Policies Committee met for a moment of dialogue and discussion to continue actively pursuing respect for the fundamental ethical values of responsibility, integrity and transparency on which correct business policies are based.

### 5.4 - Prospective activities

The year 2024 is the first year of implementation of the new "Beyond 26" business plan, envisaging, in the area of resources, the continuation of the path of optimising the workforce by favouring paths of generational turnover, as well as the revision of processes functional to the release of resources and the strengthening of HQ and network structures. Attracting and retaining young talent through an attractive value proposition and specific development programmes will also be at the heart of the Resource Department's action plans.

In addition, the year 2024 will also see the Resources Department committed to the further directions of the aforementioned Business Plan:

- rethinking the service model on Small Business and POE customers consistent with more significant value creation in the segment;
- managerial reinforcement in areas with higher development/transformation potential (e.g. WM, Commercial Bank, SMEs, Operations, ALM), also by insourcing skills from outside;
- further implementation of management training through the introduction of plans focusing on new emerging trends and the development of soft skills;
- further investment in variable and incentive remuneration for the network and management structures in a profit-sharing logic;
- with particular reference to the ESG objectives of the plan, the development and nurturing of employees with increased young talent and ESG training of employees;
- continuation of the path already taken in the area of Diversity (female managers); new female hires; gender pay equality.

The project to implement the Wealth Management structure in line with the objectives of the "Beyond 26" Business Plan is also scheduled to continue in 2024.

Lastly, a special effort is also envisaged on the trade union relations front, in relation to the above-mentioned extraordinary transaction for the acquisition of 48 branches from BPER Banca, in order to proceed with the complete harmonisation of the contractual treatments applied to the acquired Resources.

Lastly, the Resources Department will take steps to implement the changes introduced by the new national sector contract, both for the regulatory part (e.g. working hours) and for the economic part, by applying the remaining tranches of increase in the "salary" pay item (in addition to the one already applied in December 2023), set by the renewal agreement of the national collective agreement of 23 November 2023 to 1 September 2024, 1 June 2025 and 1 March 2026.

## 6 - Control activities

### 6.1 - The levels of control in the management and coordination function

In exercising its management and coordination function, the Bank, as Parent company, puts in place a triple level of control over the subsidiary Fides, in order to implement the specific "coordination model" chosen, taking into account the nature and size of the activities carried out by the individual companies, as well as their specific location, identifying internally the functions responsible for the specific control mechanisms.

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

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

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

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

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

### 6.2 - The internal control system

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

Detailed information on the internal control system, as well as on the Financial Reporting Manager, and therefore also on the risk management and internal control systems on the financial reporting process, are contained in paragraphs 4.1, 4.3 and 4.5 of the Annual Corporate Governance Report made available, pursuant to Article 123-bis of the Consolidated Law on Finance, on the website [www.bancodesio.it](http://www.bancodesio.it).

### 6.3 - Risk measurement and management

Banco Desio adopts a prudential approach to managing business risks, with a view to preventing and mitigating them. These safeguards cover each type of business risk taken on consistently with the characteristics, size and complexity of the activities performed. To this end, in line with the provisions of Bank of Italy Circular No. 285, the Bank prepares the Risk Appetite Framework (RAF), which is updated on an annual basis in line with the evolution of the Group's risk objectives and strategies. The methodological approach adopted includes a quantitative assessment based on three different types of indicators (first-tier risk indicators, second-tier risk indicators and key-risk indicators) and a qualitative assessment concerning organisational controls. In addition, there are specific policies concerning the various types of risk, which provide the criteria for their operational management from an individual and group perspective.

Strategic decisions at Group level on corporate risk management are referred to the corporate bodies of the Parent Company; as far as the other subsidiaries are concerned, the corporate bodies of each of them are aware of the risk profile and management policies defined by the Parent Company and are responsible for implementing these policies in a manner consistent with their own corporate reality. With a view to an effective and efficient risk management and control system, the Group places specific responsibilities on its organisational structure: with this in mind, the principle of separation of the functions involved in the risk control process is applied in accordance with prudential supervisory regulations.

The activity of identifying the risks to which Banco Desio and the Group is or may be exposed involves constant updating that takes into account its operations, the reference markets and the evolution of the prudential supervisory regulatory context.

This activity derives from an integrated and continuous recognition process carried out centrally by the Parent Company that takes into account, in relation to the evolution and/or changes in the business model, the operational specificities of the individual legal entities included in the scope of consolidation.

The risk identification process determines the periodic updating of the "Group Risk Map" document, which illustrates the Bank's position with respect to first- and second-pillar risks, both in a current and prospective view, in order to anticipate any risks capable of impacting the operations of individual legal entities and therefore the Group. The purpose of updating it is to define the perimeter of relevant risks/entities, through the application of appropriate applicability and materiality criteria, which make it possible to discriminate between tangible and intangible risks.

The perimeter of material risks is composed of all Pillar I risks, which are compulsory by regulation, and independently identified Pillar II risks. They are quantified and monitored according to the specificities at the level of the individual legal entity and the Group, consistent with current legislation and taking into account national and international regulatory developments.

With respect to a preliminary identification of Environmental Social and Governance (ESG) risks, correlated to the business risks defined in the Group's internal policies, as a result of a specific project carried out in 2021 the Banco Desio Group developed an action plan, called Masterplan E(SG), which among the areas of intervention also contemplates the development of the specific issue of environmental climate risk governance and management. During 2023, the activities identified in the aforementioned E(SG) Master Plan continued. Specifically, the Group, with the aim of integrating climate-environmental factors into the Risk Management Framework, has developed two main activities:

- Identification of the set of Key Risk Indicators (KRIs) to monitor the amount of existing and new credit exposure potentially exposed to climate-environmental risks;
- Identification of the set of second-level controls aimed at identifying counterparties potentially exposed to climate-environmental risks.

For both of the aforementioned activities, the Group has outlined the two components of climate-environmental risk, as set out in the Supervisory Expectations:

- physical risk: this refers to the economic impact resulting from the expected increase in natural events whose occurrence can be defined as "extreme" or "chronic". Acute physical risks depend on the occurrence of extreme environmental phenomena (such as floods, heat waves and droughts) linked to climate change, which increase their intensity and frequency. Chronic physical hazards, on the other hand, are determined by climatic events that arise over time (e.g. gradual temperature and sea level rise, deterioration of ecosystem services and loss of biodiversity). All of these types of events affect the level of production activity and can even impair it permanently;

- Transition risk refers to the economic impact of the adoption of regulations to reduce carbon emissions and encourage the development of renewable energy, technological developments, and changing consumer preferences and market confidence.

For the purposes of the Group's assessments of potential exposure to climatic-environmental factors, an enrichment of the databases was carried out in 2023 using information obtained from specially selected infoproviders. This integration, in line with the Supervisory Expectations to promote the incorporation of climate and environmental risk assessment, is aimed at creating a database on climate and environmental risk profiles.

Banco Desio will continue in 2024 with the evolutionary activities of the Risk Management Framework in the ESG area, with particular reference to the climate-environmental risk component. For further details, please refer to the disclosure "The plan to integrate E(SG) factors into the Bank's decision-making system" in the Banco Desio Group's Consolidated Non-Financial Statement (Sustainability Report 2023).

The integration of climate-environmental risk as part of the overall risk mapping activity and of the path undertaken for the complete definition and management of sustainability or ESG risks, is part of the broader transformation programme undertaken by Banco Desio since the beginning of 2022 with the adoption of the plan to integrate ESG factors into its decision-making system, called "Masterplan E(SG)", which was followed by the adoption of the similar plan of the subsidiary Fides S.p.A, in March 2023, managed under the direction and coordination of the Parent Company.

The overall medium-term planning undertaken by the Group, which confirms the Banco Desio strategic approach to sustainability issues and the related risks (climate and environmental first and foremost), takes into account the expectations of the National and European Supervisory Authorities published on the subject, in which it is clearly highlighted how this transition entails both risks and opportunities for the entire economic system and for financial institutions, just as the physical damage caused by climate change and environmental degradation can have a significant impact on the real economy and the financial sector.

In the continuation of the project activities, the qualifying aspects that emerged from the ongoing dialogue with the National Supervisory Authority will be valorised, which has, among other things, led to the publication of the main results of the analysis of the action plans developed by Less Significant Institutions (LSI) and non-banking intermediaries for the progressive integration of climate and environmental risks into corporate strategies, governance and control systems, and the risk management framework.

The identification of material risks also took into account the uncertainties surrounding them, understood as possible events the potential impact of which cannot be determined and thus quantified at present. More specifically, the national and global macroeconomic scenario, which is a determining factor on the outlook for operations, is characterised by profiles of uncertainty in relation, in particular, to the residual effects of the Covid-19 epidemic and the consequent risks of further negative impacts on the economy and financial markets, together with the ongoing wars (particularly in Europe and the Middle East) that are characterising the current context.

Uncertainties and fears for further social and economic repercussions will also depend on the success of monetary and fiscal measures launched by EU authorities and member state governments to support the most exposed sectors and operators.

Any further expansionary phases of the Covid-19 and consequent new containment measures, as well as the continuation of war conflicts with geo-political and energy supply repercussions, could lead to further general economic consequences and specific impacts on the bank's and the Group's economic, financial and capital situation, including indirect ones. In this context, the possibility of the economic slowdown having negative effects on credit and market risk profiles is of particular relevance.



With regard, more in general, to the specific activities carried out by the Banco Desio Risk Management Department, with the aim of ensuring controls on the management of the various types of risk through the adoption of integrated processes, please refer to Part E - Information on risks and related hedging policies of the Notes to the Financial Statements.

## 7 - Operating performance

### 7.1 - The collection of savings: customers' assets under administration

Total customer assets under administration stood at around Euro 34.9 billion, up from the balance at year-end 2022 (+17.2%), attributable to the performance of indirect inflows (+17.5%), and of direct inflows (16.8%). 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.

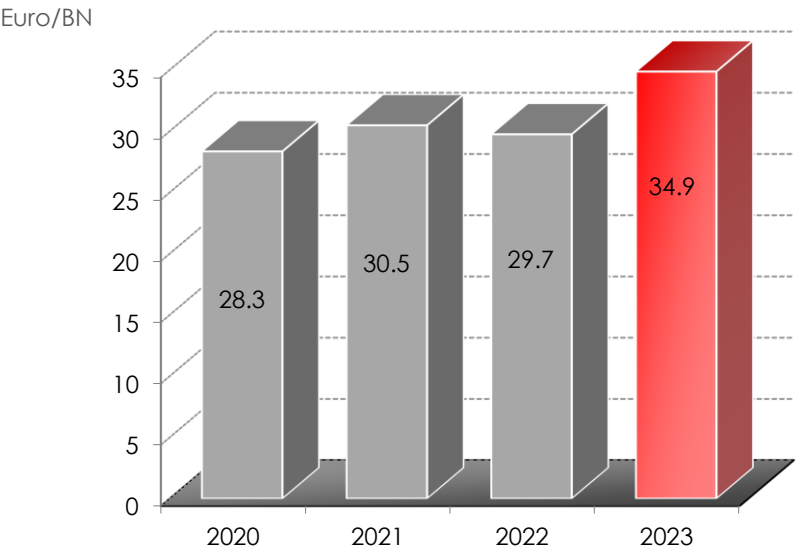
Table No. 9 - **INFLOWS FROM CUSTOMERS**

| Amounts in Euro thousands            | 31.12.2023        | Incidence<br>% | 31.12.2022        | Incidence<br>% | Changes          |              |
|--------------------------------------|-------------------|----------------|-------------------|----------------|------------------|--------------|
|                                      |                   |                |                   |                | Value            | %            |
| <b>Direct inflows</b>                |                   |                |                   |                |                  |              |
| Payables to customers <sup>(1)</sup> | 12,497,939        | 35.9%          | 11,113,575        | 37.4%          | 1,384,364        | 12.5%        |
| Securities issued                    | 2,280,448         | 6.5%           | 1,536,151         | 5.1%           | 744,297          | 48.5%        |
| <b>Direct inflows</b>                | <b>14,778,387</b> | <b>42.4%</b>   | <b>12,649,726</b> | <b>42.5%</b>   | <b>2,128,661</b> | <b>16.8%</b> |
| Inflows from ordinary customers      | 12,683,668        | 36.4%          | 10,135,327        | 34.1%          | 2,548,341        | 25.1%        |
| Inflows from institutional customers | 7,391,539         | 21.2%          | 6,947,288         | 23.4%          | 444,251          | 6.4%         |
| <b>Indirect inflows</b>              | <b>20,075,207</b> | <b>57.6%</b>   | <b>17,082,615</b> | <b>57.5%</b>   | <b>2,992,592</b> | <b>17.5%</b> |
| <b>Total inflows from customers</b>  | <b>34,853,594</b> | <b>100.0%</b>  | <b>29,732,341</b> | <b>100.0%</b>  | <b>5,121,253</b> | <b>17.2%</b> |

<sup>(1)</sup> Including inflows repurchase agreements with institutional customers in the amount of Euro 608 million (Euro 503 million at 31December 2022)

The histogram below depicts the trend in total inflows as of 2020, which shows a compound average annual growth rate of 7.1%.

Graph No. 5 - TREND IN TOTAL INFLOWS IN RECENT YEARS



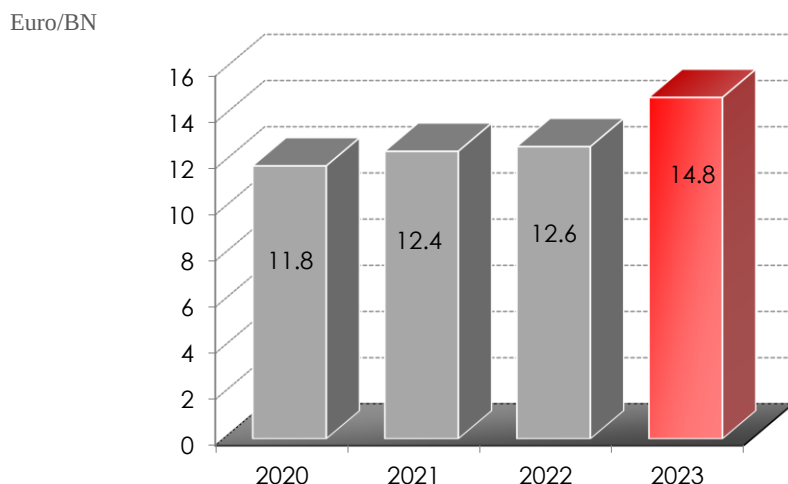
### Direct inflows

Direct deposits amounted to about Euro 14.8 billion and showed an increase of 16.8%, which resulted from the growth in amounts due to customers of about Euro 1.4 billion (+12.5%) and in securities issued (+48.5%). The trend in direct inflows over the past few years is represented by the following table and graph.

Table No. 10 - **DIRECT INFLOWS**

| Amounts in Euro thousands                                  | 31.12.2023        | Incidence<br>% | 31.12.2022        | Incidence<br>% | Changes          |              |
|------------------------------------------------------------|-------------------|----------------|-------------------|----------------|------------------|--------------|
|                                                            |                   |                |                   |                | Value            | %            |
| <b>Payables to customers</b>                               | <b>12,497,939</b> | <b>84.6%</b>   | <b>11,113,575</b> | <b>87.9%</b>   | <b>1,384,364</b> | <b>12.5%</b> |
| Current accounts and deposits                              | 11,353,600        | 76.9%          | 10,386,745        | 82.1%          | 966,855          | 9.3%         |
| <i>current accounts and demand deposits</i>                | 10,340,907        | 70.0%          | 10,065,243        | 79.6%          | 275,664          | 2.7%         |
| <i>fixed-term deposits and restricted current accounts</i> | 1,012,693         | 6.9%           | 321,502           | 2.5%           | 691,191          | 215.0%       |
| Repurchase agreements and securities lending               | 607,637           | 4.1%           | 503,113           | 4.0%           | 104,524          | 20.8%        |
| Loans and other payables                                   | 536,702           | 3.6%           | 223,717           | 1.8%           | 312,985          | 139.9%       |
| <b>Securities issued</b>                                   | <b>2,280,448</b>  | <b>15.4%</b>   | <b>1,536,151</b>  | <b>12.1%</b>   | <b>744,297</b>   | <b>48.5%</b> |
| bonds and liabilities measured at fair value               | 2,280,095         | 15.4%          | 1,531,574         | 12.1%          | 748,521          | 48.9%        |
| certificates of deposit and other securities               | 353               | 0.0%           | 4,577             | 0.0%           | -4,224           | -92.3%       |
| <b>Direct inflows</b>                                      | <b>14,778,387</b> | <b>100.0%</b>  | <b>12,649,726</b> | <b>100.0%</b>  | <b>2,128,661</b> | <b>16.8%</b> |

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



Payables to customers, amounting to Euro 12.5 billion, represent the most significant item with 84.6% of the total balance and are attributable for about Euro 10.3 billion to the "demand" component of inflows, i.e. free current accounts and savings deposits, for about Euro 1.0 billion to time deposits, for Euro 0.6 billion to repurchase agreements with Cassa di compensazione e Garanzia, and for the remainder to other payables.

Outstanding securities refer to bonds issued and all placed for about Euro 2.3 billion and certificates of deposit for the remainder.

In 2023, the Bank continued to offer its customers bonds of its own issuance (7 placements) for a total amount of Euro 300 million.

In July, Banco Desio entered into an agreement with the Parent Company Brianza Unione di Luigi Gavazzi e Stefano Lado S.A.p.A. for the subscription by the latter of a Subordinated Tier 2 Banco Desio 10Y non-call 5Y Bond in the amount of Euro 60 million. Brianza Unione consequently issued a bond in the form of a private placement with the same characteristics, fully subscribed by professional investors. The two issues of Tier 2 Subordinated Bonds are placed in the broader context of a transaction aimed at determining the assignment of a Tier 2 liability within the framework of the prudential regulations applicable pursuant to the CRR for the purposes of individual and consolidated prudential supervision, respectively of Banco Desio and the Banco Desio Banking Group.

Worthy of note is the issue in September of the Covered Bond 4% maturing 13/03/2028 for a total amount of Euro 400 million. This was the first European Covered Bond (Premium) issue realised by Banco Desio in compliance with the new European directive implemented in Italy in March. The transaction, which was realised with a spread at issuance of +75 bps over the mid-swap rate, attracted particularly strong demand (around Euro 900 million) from a considerable number of investors from different geographic areas.

Outstanding securities issued have the following breakdown in relation to maturity based on nominal value:

- within one year Euro 575 million;

- between 1 and 3 years Euro 717 million;
- between 3 and 5 years Euro 816 million;
- over 5 years Euro 160 million.

#### Indirect inflows

Indirect inflows recorded a balance of Euro 20.1 billion (+17.5%). Inflows from ordinary customers amounted to Euro 12.7 billion, an increase of 25.1% compared to the end of the previous year, attributable to the performance of assets under administration (+46.8%) and assets under management (+15.6%).

At 36.8%, inflows from institutional customers reached a balance of about Euro 7.4 billion, up 6.4% compared to the previous year's balance.

Table No. 11 - **INDIRECT INFLOWS**

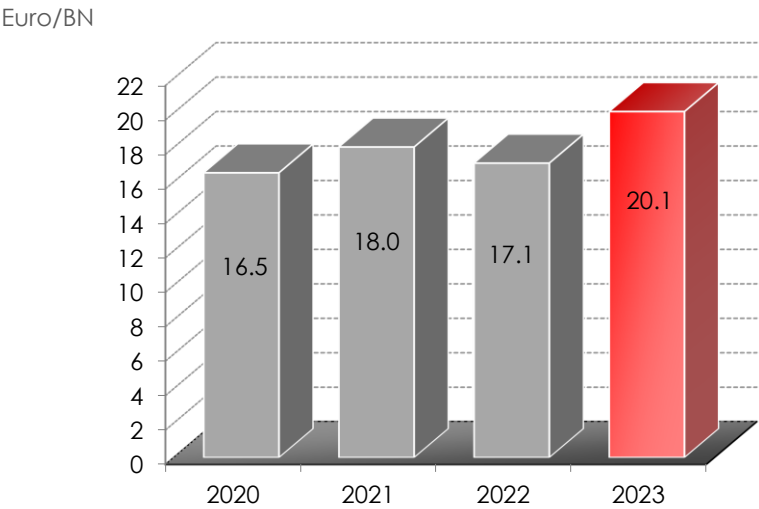
| Amounts in Euro thousands                                  | 31.12.2023        | Incidence<br>% | 31.12.2022        | Incidence<br>% | Changes          |              |
|------------------------------------------------------------|-------------------|----------------|-------------------|----------------|------------------|--------------|
|                                                            |                   |                |                   |                | Value            | %            |
| <b>Assets under Administration</b>                         | <b>4,541,442</b>  | <b>22.6%</b>   | <b>3,093,362</b>  | <b>18.1%</b>   | <b>1,448,080</b> | <b>46.8%</b> |
| <b>Assets under Management</b>                             | <b>8,142,226</b>  | <b>40.6%</b>   | <b>7,041,965</b>  | <b>41.2%</b>   | <b>1,100,261</b> | <b>15.6%</b> |
| Asset management                                           | 1,230,805         | 6.1%           | 1,148,834         | 6.7%           | 81,971           | 7.1%         |
| Mutual funds and Sicav                                     | 3,923,722         | 19.5%          | 3,277,442         | 19.2%          | 646,280          | 19.7%        |
| Banking-insurance products                                 | 2,987,699         | 15.0%          | 2,615,689         | 15.3%          | 372,010          | 14.2%        |
| <b>Indirect inflows from ordinary customers</b>            | <b>12,683,668</b> | <b>63.2%</b>   | <b>10,135,327</b> | <b>59.3%</b>   | <b>2,548,341</b> | <b>25.1%</b> |
| <b>Inflows from institutional customers <sup>(1)</sup></b> | <b>7,391,539</b>  | <b>36.8%</b>   | <b>6,947,288</b>  | <b>40.7%</b>   | <b>444,251</b>   | <b>6.4%</b>  |
| Assets under Administration                                | 6,741,531         | 33.6%          | 6,254,755         | 36.6%          | 486,776          | 7.8%         |
| Assets under Management                                    | 650,008           | 3.2%           | 692,533           | 4.1%           | -42,525          | -6.1%        |
| <b>Indirect inflows <sup>(1)</sup></b>                     | <b>20,075,207</b> | <b>100.0%</b>  | <b>17,082,615</b> | <b>100.0%</b>  | <b>2,992,592</b> | <b>17.5%</b> |

<sup>(1)</sup> inflows from institutional customers includes securities on deposit underlying the Bancassurance segment of ordinary customers in the amount of approximately Euro 2.1billion (approximately Euro 2.1billion at 31.12.2022).

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.

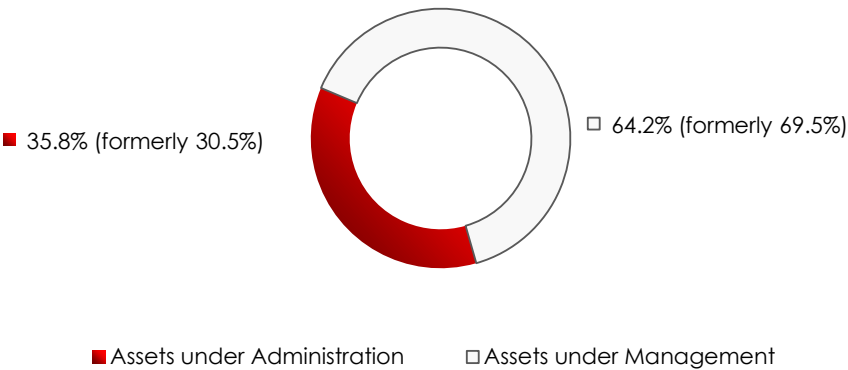
The histogram below depicts the trend in indirect inflows over the past few years, which shows a compound average annual growth rate of 6.7% as of 2020.

Graph No. 7 - **TRENDS IN INDIRECT INFLOWS IN RECENT YEARS**

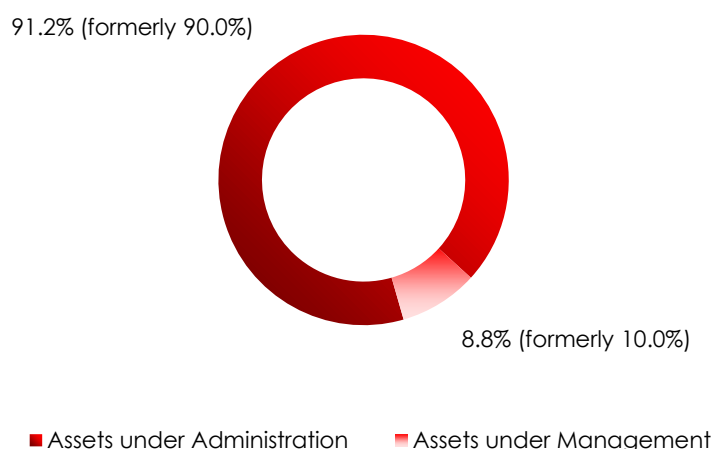


The following graph shows the percentage composition of indirect inflows from ordinary customers by segment, while the next one focuses on the breakdown of assets under management by component. Compared to the previous year's results, there was a greater weighting in favour of the asset under management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

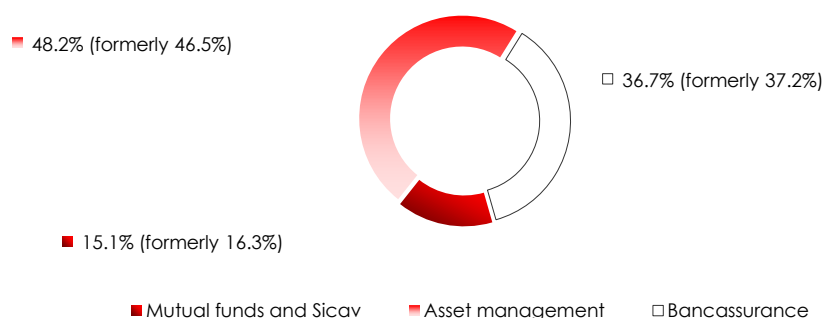
Graph No. 8 - **BREAKDOWN OF INDIRECT INFLOWS FROM ORDINARY CUSTOMERS BY SEGMENT AT 31.12.2023**



Graph No. 9 - BREAKDOWN OF INDIRECT INFLOWS FROM INSTITUTIONAL CUSTOMERS BY SEGMENT AT 31.12.2023



Graph No. 10 - BREAKDOWN OF INDIRECT INFLOWS BY ASSET UNDER MANAGEMENT COMPONENTS AT 31.12.2023



In continuity with 2022, the year 2023 was initially characterised by high levels of inflation, growing concern and restrictive manoeuvres by the monetary authorities, only to show, in the last quarter of the year, a decline in rates mainly due to the increased belief that the Federal Reserve in the US and the European Central Bank in the Eurozone had completed the long phase of rate hikes. The conviction emerged when the US slowdown began to be compounded by the similar trend that had emerged in the Euro Area and China over the summer. The signs of declining inflation confirmed the arguments in favour of ending the restrictive monetary policy cycle. The central banks have meanwhile made it clear that the basic approach remains that of “high rates for a long time”, reserving the possibility of further rises in the event of particularly violent external events. In bond management, the duration was kept above that of the benchmark throughout the period.

Within the portfolios, the preference for government bonds with intermediate maturities was confirmed in order to take advantage of the inverted slope of the yield curves. The riskiest component was allocated between investment grade corporate, especially bank issues, and emerging market bonds.

In equities, the main indices achieved positive returns in the fourth quarter of the year, albeit in a volatile context. After a month in October 2023 in which rising bond yields unnerved investors by prompting significant selling, subsequent words from central bankers, together with moderate inflation data, fuelled

a significant increase. Geographically, returns were fairly homogeneous, while on the product side, technology and the more cyclical sectors performed better. In equity management, an underweight position was maintained in the belief that stock market values were discounting an overly positive scenario. Geographically, the preference for the United States was confirmed, while the rest of the world was underweighted. Among sectors, the preference for technology, basic resources and stable consumption was maintained at the expense of industrials, financials and cyclical consumption. Large capitalisation and high dividend stocks were also favoured.



## 7.2 - Credit management: loans to customers

The total value of loans to customers at 31 December 2023 amounted to approximately Euro 11.6 billion, up 1.5% compared to the balance at year-end 2022, and includes loans arising from the acquisition of business units from the BPER Group valued according to the criteria defined by the definitive 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 first of all from the conflict between Russia and Ukraine and, more generally, from the growing international geopolitical tensions, as recalled in the disclosure "Risks, uncertainties and impacts arising from war conflicts, residual effects of the Covid-19 epidemic, climate risk and the macroeconomic context" in "Part A - Accounting Policies" of the Notes, the direct exposure of the Bank and its customers is rather limited.

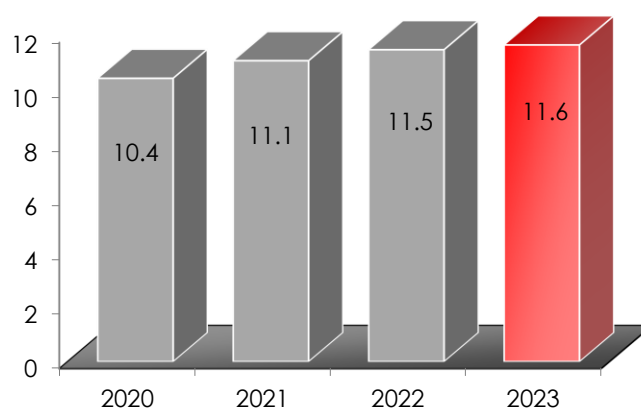
On the overall portfolio, the Credit Department continued its monitoring activities, whose analysis of the positions revealed an increase in the deterioration of existing credit facilities - albeit at levels in line with the pre-pandemic period - on which risk containment and management actions were activated. 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 allowed SMEs to apply for access to MCC-guaranteed financing to address liquidity needs related to the economic and financial turmoil caused by the ongoing conflicts and by the measures implemented by the ECB, which led to a significant increase in rates.

With reference to the flooding events that particularly affected the territories of Emilia-Romagna and Tuscany, was the implementation of the provisions of Article 11 of Decree Law No. 61/2023 (so-called Decree Flood Emilia-Romagna), by the Order of the Chief Department of Protection Civil (OCDPC) No. 992 of 8 May 2023, by the Order of the Chief Department of Protection Civil (OCDPC) No. 1,037 of 5 November 2023, and subsequent integrations.

The histogram below graphically depicts the trend in loans over the last four years, which shows a compound average annual growth rate of +3.8%, due to the growth in volumes during the year, partly offset by the contraction in non-performing loans in previous years.

Graph No. 11 - TREND IN LOANS TO CUSTOMERS IN RECENT YEARS

Euro/BN



The changes in balances in the items making up loans by technical form are summarised in the table below, while the following table shows the changes recorded during the year by customer type.

Table No. 12 - LOANS TO CUSTOMERS

| Amounts in Euro thousands                            | 31.12.2023        | Incidence %   | 31.12.2022        | Incidence %   | Changes        |             |
|------------------------------------------------------|-------------------|---------------|-------------------|---------------|----------------|-------------|
|                                                      |                   |               |                   |               | Value          | %           |
| Mortgages                                            | 8,147,015         | 69.9%         | 8,070,568         | 70.3%         | 76,447         | 0.9%        |
| fixed rate                                           | 4,943,202         | 42.4%         | 4,717,879         | 41.1%         | 225,323        | 4.8%        |
| variable rate                                        | 747,764           | 6.4%          | 579,849           | 5.1%          | 167,915        | 29.0%       |
| mixed rate <sup>(1)</sup>                            | 2,456,049         | 21.1%         | 2,772,840         | 24.1%         | -316,791       | -11.4%      |
| Current accounts                                     | 2,080,650         | 17.9%         | 1,992,335         | 17.4%         | 88,315         | 4.4%        |
| Repurchase agreements and securities lending         | 0                 | 0.0%          | 30,022            | 0.3%          | -30,022        | -100.0%     |
| Finance lease                                        | 154,409           | 1.3%          | 151,027           | 1.3%          | 3,382          | 2.2%        |
| Credit cards, personal loans and salary-backed loans | 242,754           | 2.1%          | 143,310           | 1.2%          | 99,444         | 69.4%       |
| Other transactions                                   | 1,023,264         | 8.8%          | 1,084,946         | 9.5%          | -61,682        | -5.7%       |
| <b>Loans to customers</b>                            | <b>11,648,092</b> | <b>100.0%</b> | <b>11,472,208</b> | <b>100.0%</b> | <b>175,884</b> | <b>1.5%</b> |

<sup>(1)</sup> 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.

Banco Desio has contributed to supporting families, customers and employees to deal with the current economic situation, offering the possibility of remodulating loan repayment plans. The initiative, promoted since the beginning of the reference financial year, aimed to mitigate the increase in instalments on variable-rate mortgages by allowing customers to extend the term of the loan up to 5 years without increasing costs.

Customers with variable-rate mortgages, who have seen an increase of at least Euro 100 in their instalments, could in fact benefit from this facilitation measure through direct contact with their reference branch.

In addition, Banco Desio offered a ceiling for further options to dilute payments over time or convert variable-rate mortgages into fixed-rate mortgages, depending on the needs of its customers. For further information <https://www.bancodesio.it/it/content/caro-mutui>.

Table No. 13 - **BREAKDOWN OF LOANS TO CUSTOMERS BY TYPE OF CUSTOMER**

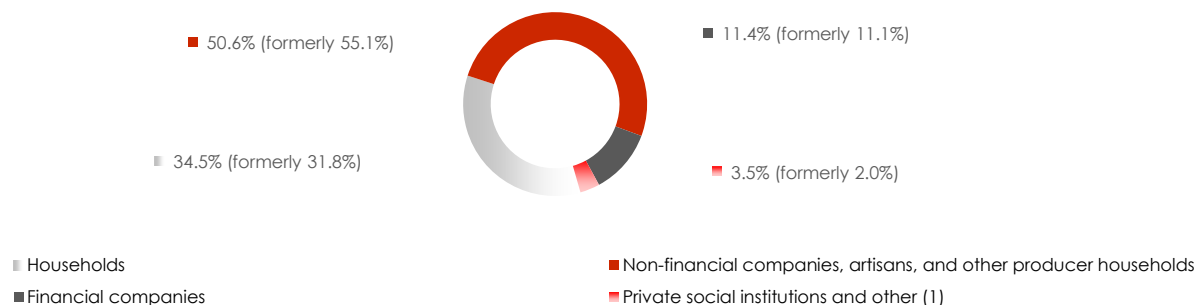
| Amounts in Euro thousands                                        | 31.12.2023        | Incidence %   | 31.12.2022        | Incidence %   | Changes        |             |
|------------------------------------------------------------------|-------------------|---------------|-------------------|---------------|----------------|-------------|
|                                                                  |                   |               |                   |               | Value          | %           |
| Households                                                       | 4,013,475         | 34.5%         | 3,647,805         | 31.8%         | 365,670        | 10.0%       |
| Non-financial companies, artisans, and other producer households | 5,897,726         | 50.6%         | 6,323,799         | 55.1%         | -426,072       | -6.7%       |
| Financial companies                                              | 1,333,057         | 11.4%         | 1,272,933         | 11.1%         | 60,124         | 4.7%        |
| Private social institutions and other <sup>(1)</sup>             | 403,834           | 3.5%          | 227,671           | 2.0%          | 176,163        | 77.4%       |
| <b>Loans to customers</b>                                        | <b>11,648,092</b> | <b>100.0%</b> | <b>11,472,208</b> | <b>100.0%</b> | <b>175,884</b> | <b>1.5%</b> |

<sup>(1)</sup> including financial and non-financial companies rest of the world

Loans referring to the category comprising non-financial companies, artisans and other producer households, amounting to approximately Euro 5.9 billion, although slightly decreasing compared to the previous period, as a result of the more difficult market context for new mortgage disbursements, continues to account for the bulk of the loan portfolio to customers, accounting for 50.6% of the total item (formerly 55.1% in the comparison year). Loans to households, which totalled Euro 4.0 billion, grew by 10.0% mainly due to the positive contribution of the acquisition of the BPER branches and the boost to consumer lending.

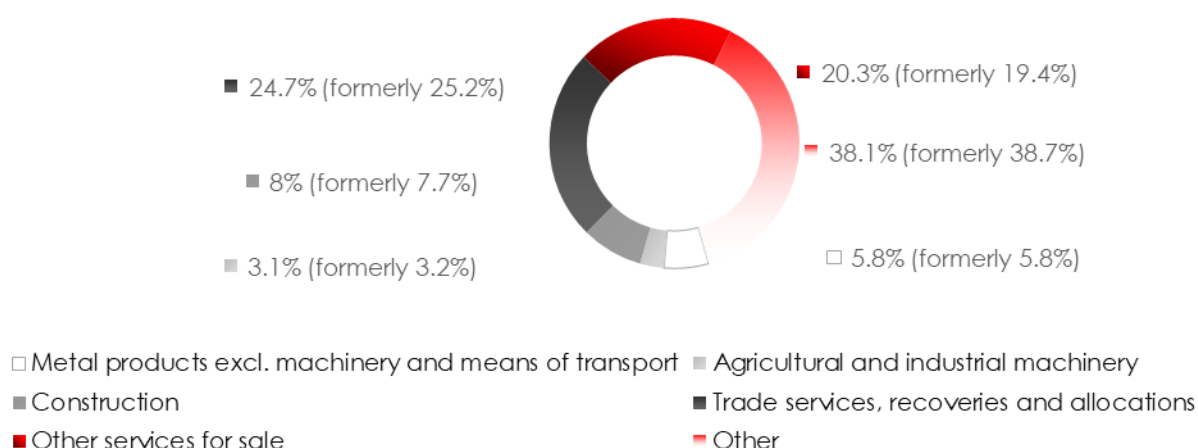
The following graph shows in percentage terms the aforementioned composition of loans at the end of 2023, broken down by type of customer, while the next one focuses on the composition of loans in the category of non-financial companies, artisans and other producer households, according to the economic sector they belong to.

Graph No. 12 - % **BREAKDOWN OF LOANS TO CUSTOMERS AT 31.12.2023 BY TYPE OF CUSTOMER**



(1) including financial and non-financial companies rest of the world

Graph No. 13 - % **BREAKDOWN OF LOANS TO CUSTOMERS AT 31.12.2023 REFERRING TO NON-FINANCIAL COMPANIES, ARTISANS AND OTHER PRODUCER HOUSEHOLDS**



Loans to customers belonging to the tertiary sector in general continued to be of particular importance, with a strong emphasis on other services for sale, trade, salvage and repairs, and the construction sector. Taken together, these loans represent a share of 53.0 % (formerly 52.3 %), corresponding to approximately Euro 3.1 billion.

Within the breakdown of gross loans, including guarantees, the percentage of utilisations attributable to the first 50 customers at the end of the 2023 financial year continues to reflect a high degree of risk fractioning.

Table No. 14 - **CREDIT CONCENTRATION RATIOS ON TOP CUSTOMERS**

| Number of customers <sup>(1)</sup> | 31.12.2023 | 31.12.2022 |
|------------------------------------|------------|------------|
| Top 10                             | 1.15%      | 1.19%      |
| Top 20                             | 1.93%      | 2.03%      |
| Top 30                             | 2.60%      | 2.76%      |
| Top 50                             | 3.75%      | 3.98%      |

(1) net of loans to the subsidiary FIDES S.p.A.

At the reporting date, no customer qualifies as a "Large Exposure" for supervisory purposes; in fact, "Large Exposures" include only the bank's tax assets and Italian government securities, Group companies, equity investments in the capital of the Bank of Italy, guarantees provided by the Guarantee Fund L.23.12.1996 N.662, guarantees provided by SACE, exposures with Credit Agricole for liquidity deposited as part of the covered bond transaction and for debt securities included in the proprietary portfolio, exposures with Banco Santander essentially referring to debt securities and long-term repos, exposures with Intesa San Paolo SpA essentially referring to derivatives, debt securities and long-term repos, exposures with Standard Chartered Bank referring to long-term repos and debt securities, repurchase agreement transactions with Cassa di Compensazione e Garanzia for a total nominal amount (which also includes guarantees given

and commitments) of approximately Euro 9.5 billion, corresponding to approximately Euro 0.4 billion in terms of total weighted amount.

The proactive management of the non-performing portfolio, characterised during the period by the inflow from BPER branches of non-performing UTP and past-due loans for about Euro 20 million and by disposals of UTP and bad loans for about Euro 100 million, led to the containment of the NPL ratio (3.2% gross and 1.7% net) and an overall coverage level of the loan portfolio of 2.5% in line with the previous year.

The overall coverage of non-performing loans stood at 49.4% (formerly 50.2%). Compared to the situation at 31 December 2022, there is an increased level of coverage across all risk stages; the overall level of coverage declines solely due to a different mix of bad loans and UTP and the increased incidence of MCC-guaranteed positions. Total net non-performing loans, consisting of bad loans, unlikely to pay as well as impaired past-due and/or overdrawn exposures, amounted to Euro 192.6 million, net of value adjustments of Euro 187.9 million, an increase of Euro 1.0 million compared to Euro 191.6 million at the end of 2022. In particular, there were net bad loans of Euro 46.9 million (formerly Euro 59.0 million), net unlikely to pay of Euro 136.1 million (formerly Euro 128.7 million and net impaired past-due and/or overdrawn exposures of Euro 9.7 million (formerly Euro 3.9 million).

Non-performing exposures, although in a more difficult market context for new mortgage disbursements, grew due to the acquisition of the BPER units and the positive contribution of consumer lending; the overall coverage of the performing portfolio stood at 0.96%, up from 0.88% at 31 December 2022, reflecting the caution linked to the complex macro-economic context of reference.

The table below summarises the gross and net indicators of credit risk and the relative coverage levels (the values shown therein are grossed up by the amount related to the lower fair value of the impaired acquired loans of the Lanternina perimeter).

Thus, Euro 838.8 thousand related to bad loans and Euro 3.9 million related to unlikely to pay were recorded, for a total of Euro 4.7 million.

Table No. 15 - **INDICATORS OF THE RISKINESS OF LOANS TO CUSTOMERS AND RELATED HEDGES**

| Amounts in Euro thousands       | 31.12.2023        |                                  |                      |                   |                   |                                  |
|---------------------------------|-------------------|----------------------------------|----------------------|-------------------|-------------------|----------------------------------|
|                                 | Gross exposure    | Incidence<br>% of total<br>loans | Value<br>adjustments | Coverage<br>ratio | Net exposure      | Incidence<br>% of total<br>loans |
| Bad loans                       | 155,563           | 1.3%                             | (108,674)            | 69.9%             | 46,889            | 0.4%                             |
| Unlikely to pay                 | 213,100           | 1.8%                             | (77,046)             | 36.2%             | 136,054           | 1.2%                             |
| Impaired past-due               | 11,882            | 0.1%                             | (2,195)              | 18.5%             | 9,687             | 0.1%                             |
| <b>Total impaired</b>           | <b>380,545</b>    | <b>3.2%</b>                      | <b>(187,915)</b>     | <b>49.4%</b>      | <b>192,630</b>    | <b>1.7%</b>                      |
| Stage 1 exposures               | 9,503,749         | 79.6%                            | (14,443)             | 0.15%             | 9,489,306         | 81.4%                            |
| Stage 2 exposures               | 2,062,523         | 17.2%                            | (96,367)             | 4.67%             | 1,966,156         | 16.9%                            |
| <b>Performing exposures</b>     | <b>11,566,272</b> | <b>96.8%</b>                     | <b>(110,810)</b>     | <b>0.96%</b>      | <b>11,455,462</b> | <b>98.3%</b>                     |
| <b>Total loans to customers</b> | <b>11,946,817</b> | <b>100.0%</b>                    | <b>(298,725)</b>     | <b>2.5%</b>       | <b>11,648,092</b> | <b>100.0%</b>                    |

| Amounts in Euro thousands       | 31.12.2022        |                            |                   |                |                   |                            |
|---------------------------------|-------------------|----------------------------|-------------------|----------------|-------------------|----------------------------|
|                                 | Gross exposure    | Incidence % of total loans | Value adjustments | Coverage ratio | Net exposure      | Incidence % of total loans |
| Bad loans                       | 180,751           | 1.5%                       | (121,785)         | 67.4%          | 58,966            | 0.5%                       |
| Unlikely to pay                 | 199,353           | 1.7%                       | (70,609)          | 35.4%          | 128,744           | 1.1%                       |
| Impaired past-due               | 4,488             | 0.1%                       | (611)             | 13.6%          | 3,877             | 0.1%                       |
| <b>Total impaired</b>           | <b>384,592</b>    | <b>3.3%</b>                | <b>(193,005)</b>  | <b>50.2%</b>   | <b>191,587</b>    | <b>1.7%</b>                |
| Stage 1 exposures               | 9,243,300         | 78.6%                      | (13,332)          | 0.14%          | 9,229,968         | 80.5%                      |
| Stage 2 exposures               | 2,136,926         | 18.1%                      | (86,273)          | 4.04%          | 2,050,653         | 17.8%                      |
| <b>Performing exposures</b>     | <b>11,380,226</b> | <b>96.7%</b>               | <b>(99,605)</b>   | <b>0.88%</b>   | <b>11,280,621</b> | <b>98.3%</b>               |
| <b>Total loans to customers</b> | <b>11,764,818</b> | <b>100.0%</b>              | <b>(292,610)</b>  | <b>2.5%</b>    | <b>11,472,208</b> | <b>100.0%</b>              |

At 31 December 2023, the coverage on non-performing loans net of government guarantees (MCC and SACE) was 56.0% (formerly 54.6% at 31 December 2022).

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

Table No. 16 - INDICATORS ON COVERAGE OF LOANS TO CUSTOMERS

| % Coverage of non-performing and performing loans    | 31.12.2023 | 31.12.2022 |
|------------------------------------------------------|------------|------------|
| % Coverage of bad loans                              | 69.86%     | 67.38%     |
| % Coverage of bad loans before write-offs            | 70.15%     | 67.74%     |
| % Total coverage of non-performing loans             | 49.38%     | 50.18%     |
| % Coverage of non-performing loans before write-offs | 49.58%     | 50.44%     |
| % Coverage of performing loans                       | 0.96%      | 0.88%      |

### 7.3 - The securities portfolio, derivatives and the interbank position

#### The securities portfolio

At 31 December 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. 17 - **FINANCIAL ASSETS: COMPOSITION OF THE BANK'S OWNERSHIP PORTFOLIO**

| Amounts in Euro thousands                           | 31.12.2023 Incidence % |               | 31.12.2022 Incidence % |               | Changes        |              |
|-----------------------------------------------------|------------------------|---------------|------------------------|---------------|----------------|--------------|
|                                                     |                        |               |                        |               | Value          | %            |
| <b>Securities portfolio and derivatives (FVTPL)</b> | <b>180,706</b>         | <b>4.6%</b>   | <b>198,919</b>         | <b>5.0%</b>   | <b>-18,213</b> | <b>-9.2%</b> |
| Debt securities                                     | 1,850                  |               | 18,659                 |               |                |              |
| Equity securities                                   | 4,890                  |               | 5,704                  |               |                |              |
| Mutual funds and SICAV                              | 150,840                |               | 112,817                |               |                |              |
| Trading and hedging derivatives                     | 23,126                 |               | 61,739                 |               |                |              |
| <b>Banking book (FVOCI)</b>                         | <b>835,465</b>         | <b>21.1%</b>  | <b>842,347</b>         | <b>21.0%</b>  | <b>-6,882</b>  | <b>-0.8%</b> |
| Debt securities                                     | 822,257                |               | 827,845                |               |                |              |
| Equity securities                                   | 13,208                 |               | 14,502                 |               |                |              |
| <b>Financial assets at amortised cost (AC)</b>      | <b>2,941,183</b>       | <b>74.3%</b>  | <b>2,977,146</b>       | <b>74.0%</b>  | <b>-35,963</b> | <b>-1.2%</b> |
| Debt securities (*)                                 | 2,941,183              |               | 2,977,146              |               |                |              |
| <b>Financial assets</b>                             | <b>3,957,354</b>       | <b>100.0%</b> | <b>4,018,412</b>       | <b>100.0%</b> | <b>-61,058</b> | <b>-1.5%</b> |
| <b>of which Securities Portfolio</b>                | <b>3,934,228</b>       | <b>99.4%</b>  | <b>3,956,673</b>       | <b>98.5%</b>  |                |              |

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

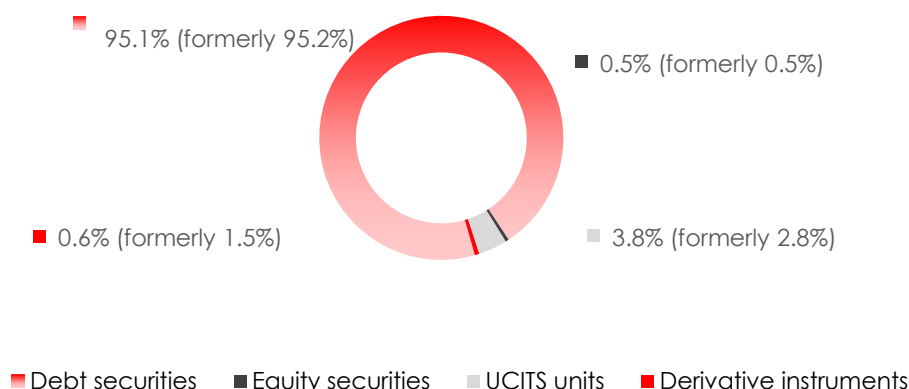
The year 2023 was characterised by the continuation of the interest rate increase monetary policies already undertaken by the major Central Banks during 2022. The European Central Bank raised the refinancing rate to 4.5% in September 2023, and has kept it unchanged so far. Bond markets therefore suffered until the current rate plateau was reached, which triggered a recovery in prices. The year also saw a drastic reduction in the inflation rate in the Eurozone (from 8.6% in January 2023 to 2.9% in December 2023); this movement led markets to estimate progressive interest rate cuts during 2024.

These expectations also gave support to the stock markets which, although in a context of continuing recessionary fears, only partially realised, filed excellent results, with growth of 19.19% for the Eurostoxx 50 index, +24.23% for the S&P and even better for the FTSEMIB with +28.03%. The Shanghai stock exchange bucked the trend significantly, with the CSI 300 down 11.38%.

The management of the Held to Collect portfolio pursued the reinvestment of maturing securities while maintaining a constant duration (gross of hedges). The invested amount of the total portfolios, net of the recovery in value of bonds in the last quarter of the year, was also substantially stable.

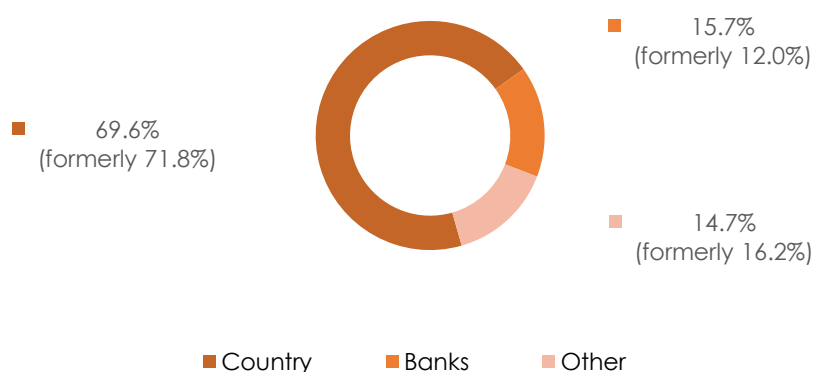
Of note is the significant increase in interest income during the year, particularly resulting from the increased profitability of variable-rate securities and the reinvestment, on improved terms, of maturing bonds.

Graph No. 14 - % **BREAKDOWN OF FINANCIAL ASSETS AT 31.12.2023 BY SECURITY TYPE**



With reference to the issuers of securities, the overall portfolio at the end of the financial year consisted of 69.6% government securities, 15.7% securities of primary banking issuers and the remainder of other issuers, as shown graphically below.

Graph No. 15 - % **BREAKDOWN OF FINANCIAL ASSETS AT 31.12.2023 BY ISSUER TYPE**



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.

#### *Exposures held in sovereign debt securities*

With reference to document No. 2011/266 published on 28 July 2011 by the European Securities and Markets Authority (ESMA) concerning the disclosure relating to sovereign risk to be included in the annual and semi-annual financial reports prepared by listed companies that adopt IAS/IFRS, the positions referring to 31 December 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. 18 - SOVEREIGN DEBT SECURITIES: COMPOSITION BY PORTFOLIO AND ISSUER

| Amounts in Euro thousands                                                  |                        | 31.12.2023       |               |                |                  | 31.12.2022       |               |                |                  |
|----------------------------------------------------------------------------|------------------------|------------------|---------------|----------------|------------------|------------------|---------------|----------------|------------------|
|                                                                            |                        | Italy            | Spain         | United Kingdom | Total            | Italy            | Spain         | United Kingdom | Total            |
| Financial assets measured at fair value through other comprehensive income | Nominal value          | 811,000          |               | 575            | 811,575          | 851,000          |               | 564            | 851,564          |
|                                                                            | Carrying amount        | 782,799          |               | 573            | 783,372          | 798,296          |               | 543            | 798,839          |
| Financial assets measured at amortised cost                                | Nominal value          | 1,905,790        | 65,000        |                | 1,970,790        | 2,048,290        | 65,000        |                | 2,113,290        |
|                                                                            | Carrying amount        | 1,900,006        | 65,172        |                | 1,965,178        | 2,017,013        | 63,880        |                | 2,080,893        |
| <b>Sovereign debt securities <sup>(1)</sup></b>                            | <b>Nominal value</b>   | <b>2,716,790</b> | <b>65,000</b> | <b>575</b>     | <b>2,782,365</b> | <b>2,899,290</b> | <b>65,000</b> | <b>564</b>     | <b>2,964,854</b> |
|                                                                            | <b>Carrying amount</b> | <b>2,682,805</b> | <b>65,172</b> | <b>573</b>     | <b>2,748,550</b> | <b>2,815,309</b> | <b>63,880</b> | <b>543</b>     | <b>2,879,732</b> |

<sup>(1)</sup> this representation does not include, at 31.12.2023, the investment in HTC securities issued by Invitalia for Euro 3,519 million (Euro 3,519 million at 31.12.2022) and in HTC securities issued by Amco-Ass Mng Co SpA for Euro 2,595 million

Table No. 19 - SOVEREIGN DEBT SECURITIES: COMPOSITION BY PORTFOLIO, ISSUER AND RESIDUAL MATURITY

| Amounts in Euro thousands                                                  |                     | Italy            | Spain         | United Kingdom | 31.12.2023       |                  |
|----------------------------------------------------------------------------|---------------------|------------------|---------------|----------------|------------------|------------------|
|                                                                            |                     |                  |               |                | Nominal value    | Carrying amount  |
| Financial assets held for trading                                          | up to 1 year        | -                | -             | -              | -                | -                |
|                                                                            | 1 to 3 years        | -                | -             | -              | -                | -                |
|                                                                            | 3 to 5 years        | -                | -             | -              | -                | -                |
|                                                                            | over 5 years        | -                | -             | -              | -                | -                |
|                                                                            | <b>Total</b>        | <b>-</b>         | <b>-</b>      | <b>-</b>       | <b>-</b>         | <b>-</b>         |
| Financial assets measured at fair value through other comprehensive income | up to 1 year        | 430,000          | -             | 575            | 430,575          | 422,547          |
|                                                                            | 1 to 3 years        | 30,000           | -             | -              | 30,000           | 30,435           |
|                                                                            | 3 to 5 years        | 30,000           | -             | -              | 30,000           | 30,421           |
|                                                                            | over 5 years        | 321,000          | -             | -              | 321,000          | 299,969          |
|                                                                            | <b>Total</b>        | <b>811,000</b>   | <b>-</b>      | <b>575</b>     | <b>811,575</b>   | <b>783,372</b>   |
| Financial assets measured at amortised cost                                | up to 1 year        | 145,000          | -             | -              | 145,000          | 144,808          |
|                                                                            | 1 to 3 years        | 245,000          | -             | -              | 245,000          | 244,499          |
|                                                                            | 3 to 5 years        | 479,790          | -             | -              | 479,790          | 475,793          |
|                                                                            | over 5 years        | 1,036,000        | 65,000        | -              | 1,101,000        | 1,100,078        |
|                                                                            | <b>Total</b>        | <b>1,905,790</b> | <b>65,000</b> | <b>-</b>       | <b>1,970,790</b> | <b>1,965,178</b> |
| <b>Sovereign debt securities</b>                                           | <b>up to 1 year</b> | <b>575,000</b>   | <b>-</b>      | <b>575</b>     | <b>575,575</b>   | <b>567,355</b>   |
|                                                                            | <b>1 to 3 years</b> | <b>275,000</b>   | <b>-</b>      | <b>-</b>       | <b>275,000</b>   | <b>274,934</b>   |
|                                                                            | <b>3 to 5 years</b> | <b>509,790</b>   | <b>-</b>      | <b>-</b>       | <b>509,790</b>   | <b>506,214</b>   |
|                                                                            | <b>over 5 years</b> | <b>1,357,000</b> | <b>65,000</b> | <b>-</b>       | <b>1,422,000</b> | <b>1,400,047</b> |
|                                                                            | <b>Total</b>        | <b>2,716,790</b> | <b>65,000</b> | <b>575</b>     | <b>2,782,365</b> | <b>2,748,550</b> |

### 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.

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

Table No. 20 - **GROUP DERIVATIVE FINANCIAL INSTRUMENTS: CARRYING AMOUNT**

| Amounts in Euro thousands                           | 31.12.2023   | 31.12.2022    | Changes        |               |
|-----------------------------------------------------|--------------|---------------|----------------|---------------|
|                                                     |              |               | Value          | %             |
| <b>Net hedging derivative financial instruments</b> | <b>6,875</b> | <b>59,099</b> | <b>-52,224</b> | <b>-88.4%</b> |
| hedging financial assets                            | 21,431       | 59,099        | -37,668        | -63.7%        |
| hedging financial liabilities                       | -14,556      | 0             | -14,556        | n.s.          |
| <b>Net trading derivative financial instruments</b> | <b>-55</b>   | <b>-1,490</b> | <b>1,435</b>   | <b>-96.3%</b> |
| financial assets held for trading                   | 1,695        | 2,639         | -944           | -35.8%        |
| financial liabilities held for trading              | -1,750       | -4,130        | 2,380          | -57.6%        |
| <b>Net derivative financial instruments</b>         | <b>6,820</b> | <b>57,609</b> | <b>-50,789</b> | <b>-88.2%</b> |

Table No. 21 - **GROUP DERIVATIVE FINANCIAL INSTRUMENTS: NOTIONAL VALUE**

| Amounts in Euro thousands                       | Notional value<br>31.12.2023 | 31.12.2022       | Changes        |               |
|-------------------------------------------------|------------------------------|------------------|----------------|---------------|
|                                                 |                              |                  | Value          | %             |
| <b>Hedging derivative financial instruments</b> | <b>1,055,000</b>             | <b>855,000</b>   | <b>200,000</b> | <b>23.4%</b>  |
| hedging financial assets                        | 445,000                      | 855,000          | -410,000       | -48.0%        |
| hedging financial liabilities                   | 610,000                      | 0                | 610,000        | n.s.          |
| <b>Trading derivative financial instruments</b> | <b>166,615</b>               | <b>203,958</b>   | <b>-37,343</b> | <b>-18.3%</b> |
| financial assets held for trading               | 83,445                       | 97,470           | -14,025        | -14.4%        |
| financial liabilities held for trading          | 83,170                       | 106,488          | -23,318        | -21.9%        |
| <b>Total derivative financial instruments</b>   | <b>1,221,615</b>             | <b>1,058,958</b> | <b>162,657</b> | <b>15.4%</b>  |

The item "Hedging financial Instruments" includes:

- fair value hedges to neutralise fluctuations in market rates in relation to fixed-rate mortgages with performing credit status;
- micro Fair Value Hedges on HTC securities to neutralise interest rate fluctuations.

Hedging is achieved by negotiating one or more Plain Vanilla Interest Rate Swap contracts, against which the Bank collects variable interest flows and pays fixed interest flows with maturities and periodicities consistent with the hedged items.

Item "Trading financial instruments" refers to the fair value of derivative financial instruments discontinued, for which the hedging relationship was discontinued, and to the fair value of swap and outright contracts that are subject to natural hedges.

In order to streamline capital absorption on exposure to OTC interest rate derivatives, during the year, Banco Desio shifted its operations to a single central clearing counterparty in accordance with Regulation (EU) 648.2012 "EMIR" and subsequent delegates.

#### Net interbank position

The Group's net interbank position at 31 December 2023 was a debit position of about Euro 0.1 billion, compared to an always debit balance of about Euro 2.4 billion at the end of the previous year.

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

Table No. 22 - GROUP NET INTERBANK POSITION AT 31 DECEMBER 2023

| Amounts in Euro thousands                    | 31.12.2023       |                | 31.12.2022        |                | Changes           |               |
|----------------------------------------------|------------------|----------------|-------------------|----------------|-------------------|---------------|
|                                              |                  | Incidence %    |                   | Incidence %    | Value             | %             |
| <b>Loans with central banks</b>              | <b>1,579,906</b> | <b>n.s.</b>    | <b>848,063</b>    | <b>-35.3%</b>  | <b>731,844</b>    | <b>86.3%</b>  |
| <b>Loans with banks</b>                      | <b>224,051</b>   | <b>-153.3%</b> | <b>133,753</b>    | <b>-5.7%</b>   | <b>90,298</b>     | <b>67.5%</b>  |
| Current accounts and demand deposits         | 49,990           | -34.2%         | 59,008            | -2.5%          | -9,018            | -15.3%        |
| Fixed-term deposits                          | 26,521           | -18.1%         | 9,390             | -0.4%          | 17,131            | 182.4%        |
| Loans and other receivables                  | 147,540          | -101.0%        | 65,355            | -2.7%          | 82,185            | 125.8%        |
| <b>Payables to central banks</b>             | <b>1,479,445</b> | <b>n.s.</b>    | <b>3,004,994</b>  | <b>-125.2%</b> | <b>-1,525,549</b> | <b>-50.8%</b> |
| <b>Payables to banks</b>                     | <b>470,620</b>   | <b>-322.1%</b> | <b>376,356</b>    | <b>-15.7%</b>  | <b>94,264</b>     | <b>25.0%</b>  |
| Current accounts and demand deposits         | 25,388           | -17.4%         | 88,136            | -3.7%          | -62,748           | -71.2%        |
| Fixed-term deposits                          | 0                | 0.0%           | 0                 | 0.0%           | 0                 | 0.0%          |
| Repurchase agreements and securities lending | 445,232          | -304.7%        | 288,220           | -12.0%         | 157,012           | 54.5%         |
| Loans and other payables                     | 0                | 0.0%           | 0                 | 0.0%           | 0                 | 0.0%          |
| <b>Net interbank position</b>                | <b>-146,108</b>  | <b>100.0%</b>  | <b>-2,399,535</b> | <b>100.0%</b>  | <b>2,253,427</b>  | <b>-93.9%</b> |

The rise in interest rates was also accompanied by quantitative tightening measures by central banks. In particular, we point out that during the year, the Bank repaid Euro 1.6 billion for the natural maturity of two TLTRO III tranches (June and December 2023, respectively). As shown in the table below, the total position therefore related to the TLTRO III financing at 31 December 2023 amounts to Euro 1.445 billion (with maturities in March 2024 for Euro 1 billion and December 2024 for the remaining Euro 445 million).

Table No. 23 - REFINANCING TRANSACTIONS WITH EUROPEAN CENTRAL BANK

| Amounts in Euro thousands                         | 31.12.2023       |               | 31.12.2022       |               | Changes           |               |
|---------------------------------------------------|------------------|---------------|------------------|---------------|-------------------|---------------|
|                                                   |                  | Incidence %   |                  | Incidence %   | Value             | %             |
| 1. TLTRO-III transaction maturity 28/06/2023      | -                | 0.0%          | 400,000          | 13.2%         | -400,000          | -100.0%       |
| 2. TLTRO-III transaction maturity 20/12/2023      | -                | 0.0%          | 1,200,000        | 39.4%         | -1,200,000        | -100.0%       |
| 3. TLTRO-III transaction maturity 27/03/2024      | 1,000,000        | 69.2%         | 1,000,000        | 32.8%         | 0                 | 0.0%          |
| 4. TLTRO-III transaction maturity 18/12/2024      | 445,000          | 30.8%         | 445,000          | 14.6%         | 0                 | 0.0%          |
| <b>Total capital share TLTRO-III transactions</b> | <b>1,445,000</b> | <b>100.0%</b> | <b>3,045,000</b> | <b>100.0%</b> | <b>-1,600,000</b> | <b>-52.5%</b> |

During the year, secured funding activities also continued on a bilateral basis with leading market counterparties through the use of the Senior Notes of the Coppedè securitisations (receivables related to the subsidiary Fides' salary-backed loans) and non-ECB eligible bonds present in the Proprietary Securities Portfolio. For further details, see Part E - Information on risks and related hedging policies of the notes to the consolidated financial statements.

The following table shows details of securities and loans that can be refinanced with the European Central Bank.

Table No. 23 bis - **SECURITIES AND LOANS ELIGIBLE FOR REFINANCING WITH THE ECB AT 31 DECEMBER 2023**

| Amounts in Euro thousands |            |             |            |             | Changes    |        |
|---------------------------|------------|-------------|------------|-------------|------------|--------|
|                           | 31.12.2023 | Incidence % | 31.12.2022 | Incidence % | Value      | %      |
| Guarantee Value           | 1,888,786  | 100.0%      | 3,102,657  | 100.0%      | -1,213,871 | -39.1% |
| Committed Portion         | 1,479,124  | 78.3%       | 3,004,825  | 96.8%       | -1,525,701 | -50.8% |
| Portion available         | 409,662    | 21.7%       | 97,832     | 3.2%        | 311,830    | 318.7% |

At 31 December 2023, there were resources available in the centralised treasury, in the so-called Pooling account, referable to securities and loans eligible for refinancing with the European Central Bank, quantifiable in a total amount, net of the foreseen haircuts, of Euro 1,889 million, refinanced in the amount of Euro 1,480 million, and therefore still available in the amount of Euro 244 million (at 31 December 2022, total resources of Euro 3,103 million were present in the Pooling account, of which Euro 3,005 million refinanced and Euro 98 million available).

## 7.4 - Equity and capital adequacy

*Equity attributable to the Parent Company Banco Desio* at 31 December 2023, including the result for the period, amounted to Euro 1,347.8 million, compared to Euro 1,118.6 million in 2022. The positive change of Euro 229.2 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 equity calculated according to the Supervisory regulations, defined as Own Funds, after the payout forecasts, as per the dividend policy, (determined based on the proposed allocation of the net profit subject to approval by the Shareholders' Meeting), amounted to Euro 1,369.8 million at 31 December 2023 (CET1 + AT1 at Euro 1,310.0 million + T2 at Euro 59.8 million), an increase of Euro 231.4 million compared to Euro 1,138.4 million at the end of the previous financial year.

At 31 December 2023, the Common Equity Tier 1 capital ratio, consisting of Tier 1 capital (CET1) as a ratio of risk-weighted assets, was 18.6%. The Tier 1 ratio, consisting of total Tier 1 capital (T1) to risk-weighted assets, was 18.6%, while the Total capital ratio, consisting of total equity to risk-weighted assets, was 19.5%.

The regulatory minimum capital requirements for banks belonging to banking groups, including the 2.5% capital conservation buffer, are 7.0% Common Equity Tier1, 8.5% Tier1 and 10.5% Total capital ratio.

The purpose of the capital conservation buffer, which is additional to the minimum requirements, is to provide banks with high-quality capital resources to be used in times of market stress to prevent disruptions in the banking system and to avoid interruptions in the lending process.

On 25 January 2018, the Board of Directors of the bank, 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 capital 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 table below therefore shows the breakdown of own funds and capital ratios calculated both under the transitional provisions and without the application of said provisions.

## Own funds and Ratios with and without application of the transitional regime

|                                                                                                           | 31.12.2023                         |              |
|-----------------------------------------------------------------------------------------------------------|------------------------------------|--------------|
|                                                                                                           | Application of transitional regime | Fully loaded |
| <b>OWN FUNDS</b>                                                                                          |                                    |              |
| Common Equity Tier 1 (CET1) capital                                                                       | 1,310,028                          |              |
| Common Equity Tier 1 (CET1) without application of transitional provisions                                |                                    | 1,286,929    |
| Tier 1 capital                                                                                            | 1,310,028                          |              |
| Tier 1 capital without application of transitional provisions                                             |                                    | 1,286,929    |
| Total own funds                                                                                           | 1,369,800                          |              |
| Total own funds without application of transitional provisions                                            |                                    | 1,346,700    |
| <b>RISK ASSETS</b>                                                                                        |                                    |              |
| Risk-weighted assets                                                                                      | 7,029,445                          |              |
| Risk-weighted assets without application of transitional provisions                                       |                                    | 6,998,279    |
| <b>SUPERVISORY RATIOS</b>                                                                                 |                                    |              |
| CET 1 capital/Risk-weighted assets (CET1 capital ratio)                                                   | 18.636%                            |              |
| CET 1 capital/Risk-weighted assets (CET1 capital ratio) without application of transitional provisions    |                                    | 18.389%      |
| Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)                                                | 18.636%                            |              |
| Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio) without application of transitional provisions |                                    | 18.389%      |
| Total own funds/Risk-weighted assets (Total capital ratio)                                                | 19.487%                            |              |
| Total own funds/Risk-weighted assets (Total capital ratio) without application of transitional provisions |                                    | 19.243%      |

## 7.5 - Reclassified Income Statement

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

The criteria for creating the reclassified income statement are summarised below:

- explication of two aggregates of accounting items, defined as "Operating Income" and "Operating Expenses", the algebraic balance of which determines the "Result from Operations";
- division of Profit (Loss) for the period between "Current result after tax" and "Non-recurring Profit (Loss) after taxes";
- "Operating income" also includes the balance of item 190, "Other operating income/expenses", albeit net of tax recoveries for stamp duty on customers' statements and securities deposits and substitute tax on m/l-term loans, recoveries on legal expenses as well as amortisation of leasehold improvements, reclassified respectively as a reduction to item 160b) "Other administrative expenses" and as an increase to item 190 "Net value adjustments/reversals on intangible assets" under "Operating expenses";
- time value components of impaired financial assets (calculated on the basis of the original effective interest rate) and interest adjustments related to impaired loans are reclassified from "Net interest income" to "Cost of credit";
- the balance of item 100a) "Gains (Losses) on sale or repurchase of financial assets at amortised cost" of "Operating income" for the portion referring to loans to customers is reclassified to the specific item "Cost of credit" (where item 130a) "Net value adjustments for impairment of loans" is also included), following "Result from operations";
- the balance of item 110, "Net result of other financial assets and liabilities at fair value through profit or loss" of "Operating income" for the portion referring to units of closed-end UCITS subscribed as a result of the sale of non-performing loans is reclassified to the specific item "Cost of credit" (where item 130a) "Net value adjustments for impairment of loans" is also included), following the "Result from operations";

- the component of the expected loss on securities at amortised cost included in the balance of item 130a) "Net value adjustments for impairment of loans", is reclassified to item 130b) "Net value adjustments on securities owned" (where the balance of net credit risk adjustments on securities at fair value through other comprehensive income is included;
- provisions relating to actions for revocation on disputed loans are reclassified from item 170 "Net provisions for risks and charges - other" to item "Cost of credit", both of which are subsequent to "Result from operations";
- charges for operating leases falling within the scope of application of IFRS16 "Leases", recognised in the accounts under item "20. Interest expenses and similar charges" and under item "180 Net value adjustments on tangible assets" are reclassified under item "160 b) Other administrative expenses";
- ordinary contributions to the Resolution Fund ("SRM") and Deposit Guarantee Scheme ("DGS") are transferred from item "160 b) Other administrative expenses" to the item "Banking system expenses";
- provisions, expenses and income of an extraordinary or "one-off" nature are reclassified under Extraordinary allocations to provisions for risks and charges, other allocations, "one-off" expenses and revenues;
- the tax effect on non-recurring Profit (Loss) is reclassified, together with tax components of an extraordinary nature, from item 270 "Income taxes on current operations" to item "Income taxes on non-recurring items".

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

The profit for the year increased by about Euro 149.9 million (+169.9%), mainly benefiting from the positive non-recurring effects of the acquisition of the BPER Group's business units with the recognition of the gross final goodwill of Euro 66.1 million resulting from the final 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 98.1 million.

Table No. 24 - RECLASSIFIED INCOME STATEMENT

| Items                             |                                                                                                     | 31.12.2023 | 31.12.2022 | Changes |         |
|-----------------------------------|-----------------------------------------------------------------------------------------------------|------------|------------|---------|---------|
| Amounts in Euro thousands         |                                                                                                     |            |            | Value   | %       |
| 10+20                             | Net interest income                                                                                 | 333,353    | 253,578    | 79,775  | 31.5%   |
| 70                                | Dividends and similar income                                                                        | 629        | 602        | 27      | 4.5%    |
| 40+50                             | Net commissions                                                                                     | 211,413    | 204,158    | 7,255   | 3.6%    |
| 80+90+100+                        | Net result of financial assets and liabilities                                                      | 12,353     | 10,394     | 1,959   | 18.8%   |
| 110                               |                                                                                                     |            |            |         |         |
| 200                               | Other operating income/expenses                                                                     | 3,164      | 3,092      | 72      | 2.3%    |
| Operating income                  |                                                                                                     | 560,912    | 471,824    | 89,088  | 18.9%   |
| 160 a                             | Personnel expenses                                                                                  | -200,708   | -171,566   | -29,142 | 17.0%   |
| 160 b                             | Other administrative expenses                                                                       | -98,245    | -82,791    | -15,454 | 18.7%   |
| 180+190                           | Net value adjustments on tangible and intangible assets                                             | -11,832    | -9,459     | -2,373  | 25.1%   |
| Operating expenses                |                                                                                                     | -310,785   | -263,816   | -46,969 | 17.8%   |
| Result from operations            |                                                                                                     | 250,127    | 208,008    | 42,119  | 20.2%   |
| 100a+130a                         | Cost of credit                                                                                      | -66,406    | -56,342    | -10,064 | 17.9%   |
| 130 b                             | Net value adjustments on own securities                                                             | -4,389     | -2,973     | -1,416  | 47.6%   |
| 140                               | Gains/losses from contractual amendments without derecognition                                      | 88         | 8          | 80      | n.s.    |
| 170 a                             | Net allocations to provisions for risks and charges - commitments and guarantees given              | -300       | 453        | -753    | n.s.    |
| 170 b                             | Net allocations to provisions for risks and charges - other                                         | -7,607     | -3,640     | -3,967  | 109.0%  |
|                                   | Charges related to the banking system                                                               | -13,945    | -14,481    | 536     | -3.7%   |
|                                   | Dividends from investments in subsidiaries                                                          | 2,781      | 5,498      | -2,717  | -49.4%  |
| Current result before taxes       |                                                                                                     | 160,349    | 136,531    | 23,818  | 17.4%   |
| 270                               | Income taxes on current operations                                                                  | -51,399    | -41,357    | -10,042 | 24.3%   |
| Current result after taxes        |                                                                                                     | 108,950    | 95,174     | 13,776  | 14.5%   |
| 240                               | Net result of fair value measurement of tangible and intangible assets                              | -160       | -          | -160    | n.s.    |
| 250                               | Gains (losses) on disposal of investments                                                           | -          | -54        | 54      | -100.0% |
|                                   | Allocations to provisions for risks and charges, other allocations, "one-off" expenses and revenues | 138,075    | -12,218    | 150,293 | n.s.    |
| Non-recurring result before taxes |                                                                                                     | 137,915    | -12,272    | 150,187 | n.s.    |
|                                   | Income taxes on non-recurring items                                                                 | -8,820     | 5,287      | -14,107 | n.s.    |
| Non-recurring result after taxes  |                                                                                                     | 129,095    | -6,985     | 136,080 | n.s.    |
| 300                               | Profit (Loss) for the year                                                                          | 238,045    | 88,189     | 149,856 | 169.9%  |



**Table 25 - Reconciliation of financial statements and income statement 31.12.2023**

| Items                     | From Financial Statements                                                                           | Reclassifications                      |                   |                            |                          |                                               |                                         |                                                     |                                                                                                      |                                       |                                    | Reclassified statement |
|---------------------------|-----------------------------------------------------------------------------------------------------|----------------------------------------|-------------------|----------------------------|--------------------------|-----------------------------------------------|-----------------------------------------|-----------------------------------------------------|------------------------------------------------------------------------------------------------------|---------------------------------------|------------------------------------|------------------------|
|                           |                                                                                                     | Non-performing loans valuation effects | Commission income | Recovery of taxes/expenses | Dividends from investees | Expected loss on securities at amortised cost | Amortisation for leasehold improvements | Gains (losses) on sale or repurchase of receivables | Allocations to provisions for risks and charges / other allocations, "one-off" expenses and revenues | Charges related to the banking system | Reclassifications IFRS 16 - Leases | Income taxes           |
| Amounts in Euro thousands | 31.12.2023                                                                                          |                                        |                   |                            |                          |                                               |                                         |                                                     |                                                                                                      |                                       |                                    | 31.12.2023             |
| 10+20                     | Net interest income                                                                                 | -3,770                                 |                   |                            |                          |                                               |                                         |                                                     | 0                                                                                                    |                                       | 1,141                              | 333,353                |
| 70                        | Dividends and similar income                                                                        |                                        |                   |                            | -2,781                   |                                               |                                         |                                                     |                                                                                                      |                                       |                                    | 629                    |
| 40+50                     | Net commissions                                                                                     |                                        | 1,802             |                            |                          |                                               |                                         |                                                     |                                                                                                      |                                       |                                    | 211,413                |
| 80+90+100+                | Net result of financial assets and liabilities                                                      |                                        |                   |                            |                          |                                               |                                         | 16,879                                              | 0                                                                                                    |                                       |                                    | 12,353                 |
| 110                       |                                                                                                     |                                        |                   |                            |                          |                                               |                                         |                                                     |                                                                                                      |                                       |                                    |                        |
| 200                       | Other operating income/expenses                                                                     |                                        |                   | -33,962                    |                          |                                               | 1,185                                   |                                                     | -47,464                                                                                              |                                       |                                    | 3,164                  |
|                           | <b>Operating income</b>                                                                             | <b>-3,770</b>                          | <b>1,802</b>      | <b>-33,962</b>             | <b>-2,781</b>            | <b>0</b>                                      | <b>1,185</b>                            | <b>16,879</b>                                       | <b>-47,464</b>                                                                                       | <b>0</b>                              | <b>1,141</b>                       | <b>560,912</b>         |
| 160 a                     | Personnel expenses                                                                                  | -200,702                               |                   |                            |                          |                                               |                                         |                                                     | 6                                                                                                    |                                       |                                    | -200,708               |
| 160 b                     | Other administrative expenses                                                                       | -142,024                               |                   |                            |                          |                                               |                                         |                                                     | 3,314                                                                                                | 18,090                                | -11,587                            | -98,245                |
| 180+190                   | Net value adjustments on tangible and intangible assets                                             | -21,093                                |                   | 33,962                     |                          |                                               | -1,185                                  |                                                     |                                                                                                      |                                       | 10,446                             | -11,832                |
|                           | <b>Operating expenses</b>                                                                           | <b>-363,819</b>                        | <b>0</b>          | <b>33,962</b>              | <b>0</b>                 | <b>-1,185</b>                                 | <b>-1,185</b>                           | <b>3,320</b>                                        | <b>18,090</b>                                                                                        | <b>-1,141</b>                         | <b>-12</b>                         | <b>-310,785</b>        |
|                           | <b>Result from operations</b>                                                                       | <b>-3,770</b>                          | <b>1,802</b>      | <b>0</b>                   | <b>-2,781</b>            | <b>0</b>                                      | <b>0</b>                                | <b>16,879</b>                                       | <b>-44,144</b>                                                                                       | <b>18,090</b>                         | <b>0</b>                           | <b>250,127</b>         |
| 100+130a                  | Cost of credit                                                                                      | -57,273                                |                   |                            |                          | 4,380                                         |                                         | -16,879                                             | -404                                                                                                 |                                       |                                    | -66,406                |
| 130 b                     | Net value adjustments on own securities                                                             | -9                                     |                   |                            |                          | -4,380                                        |                                         |                                                     |                                                                                                      |                                       |                                    | -4,389                 |
| 140                       | Gains/losses from contractual amendments without derecognition                                      | 88                                     |                   |                            |                          |                                               |                                         |                                                     |                                                                                                      |                                       |                                    | 88                     |
| 170 a                     | Net allocations to provisions for risks and charges - commitments and guarantees given              | -300                                   |                   |                            |                          |                                               |                                         |                                                     |                                                                                                      |                                       |                                    | -300                   |
| 170 b                     | Net allocations to provisions for risks and charges - other                                         | -8,011                                 |                   |                            |                          |                                               |                                         | 404                                                 |                                                                                                      |                                       |                                    | -7,607                 |
|                           | Charges related to the banking system                                                               |                                        |                   |                            |                          |                                               |                                         |                                                     |                                                                                                      | -13,945                               |                                    | -13,945                |
|                           | Dividends from investments in subsidiaries                                                          |                                        |                   |                            | 2,781                    |                                               |                                         |                                                     |                                                                                                      |                                       |                                    | 2,781                  |
|                           | <b>Current result before taxes</b>                                                                  | <b>198,558</b>                         | <b>0</b>          | <b>0</b>                   | <b>0</b>                 | <b>0</b>                                      | <b>0</b>                                | <b>0</b>                                            | <b>-44,144</b>                                                                                       | <b>4,145</b>                          | <b>0</b>                           | <b>160,349</b>         |
| 270                       | Income taxes on current operations                                                                  | -58,378                                |                   |                            |                          |                                               |                                         |                                                     |                                                                                                      |                                       |                                    | -51,399                |
|                           | <b>Current result after taxes</b>                                                                   | <b>140,180</b>                         | <b>0</b>          | <b>0</b>                   | <b>0</b>                 | <b>0</b>                                      | <b>0</b>                                | <b>0</b>                                            | <b>-44,144</b>                                                                                       | <b>4,145</b>                          | <b>0</b>                           | <b>108,950</b>         |
| 240                       | Net result of fair value measurement of tangible and intangible assets                              | -160                                   |                   |                            |                          |                                               |                                         |                                                     |                                                                                                      |                                       |                                    | -160                   |
|                           | Allocations to provisions for risks and charges, other allocations, "one-off" expenses and revenues | 0                                      |                   |                            | 0                        |                                               |                                         |                                                     | 142,220                                                                                              | -4,145                                |                                    | 138,075                |
|                           | <b>Non-recurring result before taxes</b>                                                            | <b>-160</b>                            | <b>0</b>          | <b>0</b>                   | <b>0</b>                 | <b>0</b>                                      | <b>0</b>                                | <b>0</b>                                            | <b>142,220</b>                                                                                       | <b>-4,145</b>                         | <b>0</b>                           | <b>137,915</b>         |
|                           | Income taxes on non-recurring items                                                                 | 0                                      |                   |                            |                          |                                               |                                         |                                                     |                                                                                                      |                                       |                                    | -8,820                 |
|                           | <b>Non-recurring result after taxes</b>                                                             | <b>-160</b>                            | <b>0</b>          | <b>0</b>                   | <b>0</b>                 | <b>0</b>                                      | <b>0</b>                                | <b>0</b>                                            | <b>142,220</b>                                                                                       | <b>-4,145</b>                         | <b>0</b>                           | <b>129,095</b>         |
| 290                       | Profit [Loss] from discontinued operations after taxes                                              | 98,025                                 |                   |                            |                          |                                               |                                         |                                                     |                                                                                                      |                                       |                                    | 0                      |
| 300                       | <b>Profit (loss) for the year</b>                                                                   | <b>238,045</b>                         | <b>0</b>          | <b>0</b>                   | <b>0</b>                 | <b>0</b>                                      | <b>0</b>                                | <b>0</b>                                            | <b>-98,076</b>                                                                                       | <b>0</b>                              | <b>12</b>                          | <b>238,045</b>         |

**Table 26 - Reconciliation of financial statements and income statement 31.12.2022**

| Items                     | From Financial Statements                                                                           | Reclassifications                      |                             |                          |                                               |                                         |                                                     |                                                                                                      | Reclassified statement |
|---------------------------|-----------------------------------------------------------------------------------------------------|----------------------------------------|-----------------------------|--------------------------|-----------------------------------------------|-----------------------------------------|-----------------------------------------------------|------------------------------------------------------------------------------------------------------|------------------------|
|                           |                                                                                                     | Non-performing loans valuation effects | Recovery of taxes/ expenses | Dividends from investees | Expected loss on securities at amortised cost | Amortisation for leasehold improvements | Gains (losses) on sale or repurchase of receivables | Allocations to provisions for risks and charges / other allocations, "one-off" expenses and revenues |                        |
| Amounts in Euro thousands |                                                                                                     |                                        |                             |                          |                                               |                                         |                                                     |                                                                                                      |                        |
| 10+20                     | Net interest income                                                                                 | 256,683                                | -3,798                      |                          |                                               |                                         |                                                     | 0                                                                                                    | 693                    |
| 70                        | Dividends and similar income                                                                        | 6,100                                  |                             | -5,498                   |                                               |                                         |                                                     |                                                                                                      | 602                    |
| 40+50                     | Net commissions                                                                                     | 204,158                                |                             |                          |                                               |                                         |                                                     |                                                                                                      | 204,158                |
| 80+90+100+                | Net result of financial assets and liabilities                                                      | -9,778                                 |                             |                          |                                               |                                         | 20,172                                              | 0                                                                                                    | 10,394                 |
| 110                       |                                                                                                     |                                        |                             |                          |                                               |                                         |                                                     |                                                                                                      |                        |
| 200                       | Other operating income/expenses                                                                     | 28,593                                 | -30,128                     |                          |                                               | 1,395                                   |                                                     | 3,232                                                                                                | 3,092                  |
|                           | <b>Operating income</b>                                                                             | <b>485,756</b>                         | <b>-3,798</b>               | <b>-5,498</b>            | <b>0</b>                                      | <b>1,395</b>                            | <b>20,172</b>                                       | <b>3,232</b>                                                                                         | <b>0</b>               |
| 160 a                     | Personnel expenses                                                                                  | -171,580                               |                             | 0                        |                                               |                                         | 14                                                  |                                                                                                      | -171,566               |
| 160 b                     | Other administrative expenses                                                                       | -126,488                               |                             | 30,128                   |                                               |                                         | 5,334                                               |                                                                                                      | -9,884                 |
| 180+190                   | Net value adjustments on tangible and intangible assets                                             | -17,255                                | 0                           |                          |                                               | -1,395                                  |                                                     |                                                                                                      | 9,191                  |
|                           | <b>Operating expenses</b>                                                                           | <b>-315,323</b>                        | <b>0</b>                    | <b>30,128</b>            | <b>-1,395</b>                                 | <b>-1,395</b>                           | <b>5,348</b>                                        | <b>18,119</b>                                                                                        | <b>-693</b>            |
|                           | <b>Result from operations</b>                                                                       | <b>170,433</b>                         | <b>-3,798</b>               | <b>0</b>                 | <b>-5,498</b>                                 | <b>0</b>                                | <b>20,172</b>                                       | <b>8,580</b>                                                                                         | <b>0</b>               |
| 100a+130a                 | Cost of credit                                                                                      | -41,469                                | 3,798                       |                          | 2,813                                         |                                         | -20,172                                             | -1,312                                                                                               |                        |
| 130 b                     | Net value adjustments on own securities                                                             | -160                                   |                             |                          | -2,813                                        |                                         |                                                     |                                                                                                      |                        |
| 140                       | Gains/losses from contractual amendments without derecognition                                      | 8                                      |                             |                          |                                               |                                         |                                                     |                                                                                                      |                        |
| 170 a                     | Net allocations to provisions for risks and charges - commitments and guarantees given              | 453                                    |                             |                          |                                               |                                         |                                                     |                                                                                                      |                        |
| 170 b                     | Net allocations to provisions for risks and charges - other                                         | -4,952                                 |                             |                          |                                               |                                         | 1,312                                               |                                                                                                      |                        |
|                           | System charges                                                                                      |                                        |                             | 5,498                    |                                               |                                         |                                                     | -14,481                                                                                              |                        |
|                           | Dividends from investments in subsidiaries                                                          |                                        |                             |                          |                                               |                                         |                                                     |                                                                                                      |                        |
|                           | <b>Current result before taxes</b>                                                                  | <b>124,313</b>                         | <b>0</b>                    | <b>0</b>                 | <b>0</b>                                      | <b>0</b>                                | <b>0</b>                                            | <b>8,580</b>                                                                                         | <b>0</b>               |
| 270                       | Income taxes on current operations                                                                  | -36,070                                |                             |                          |                                               |                                         |                                                     |                                                                                                      | -5,287                 |
|                           | <b>Current result after taxes</b>                                                                   | <b>88,243</b>                          | <b>0</b>                    | <b>0</b>                 | <b>0</b>                                      | <b>0</b>                                | <b>0</b>                                            | <b>8,580</b>                                                                                         | <b>0</b>               |
| 240                       | Net result of fair value measurement of tangible and intangible assets                              | 0                                      |                             |                          |                                               |                                         |                                                     |                                                                                                      |                        |
| 250                       | Gains (losses) on disposal of investments                                                           | -54                                    |                             |                          |                                               |                                         |                                                     |                                                                                                      |                        |
|                           | Allocations to provisions for risks and charges, other allocations, "one-off" expenses and revenues | 0                                      |                             | 0                        |                                               |                                         |                                                     | -8,580                                                                                               | -3,638                 |
|                           | <b>Non-recurring result before taxes</b>                                                            | <b>-54</b>                             | <b>0</b>                    | <b>0</b>                 | <b>0</b>                                      | <b>0</b>                                | <b>0</b>                                            | <b>-8,580</b>                                                                                        | <b>0</b>               |
|                           | Income taxes on non-recurring items                                                                 |                                        |                             |                          |                                               |                                         |                                                     |                                                                                                      | 5,287                  |
|                           | <b>Non-recurring result after taxes</b>                                                             | <b>-54</b>                             | <b>0</b>                    | <b>0</b>                 | <b>0</b>                                      | <b>0</b>                                | <b>0</b>                                            | <b>-8,580</b>                                                                                        | <b>0</b>               |
| 290                       | Profit (Loss) from discontinued operations after taxes                                              |                                        |                             |                          |                                               |                                         |                                                     |                                                                                                      |                        |
| 300                       | <b>Profit (Loss) for the year</b>                                                                   | <b>88,189</b>                          | <b>0</b>                    | <b>0</b>                 | <b>0</b>                                      | <b>0</b>                                | <b>0</b>                                            | <b>0</b>                                                                                             | <b>0</b>               |

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 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 89.1 million (+18.9%) compared to the comparison period, amounting to Euro 560.9 million. The performance is mainly attributable to the growth in *net interest income* of Euro 79.8 million (+31.5%), net commissions of Euro 7.3 million (+3.6%), the net result from financial assets and liabilities of Euro 2.0 million (+18.8%), and *other operating income and expenses* of Euro 0.1 million (+2.3%).

Finally, dividends, which amounted to Euro 0.6 million (formerly Euro 0.6 million), remained in line with the previous period.

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

Table No. 27 - **BREAKDOWN OF NET COMMISSIONS BY SERVICE TYPE**

| Amounts in Euro thousands                    |                |               |                |               | Changes      |             |
|----------------------------------------------|----------------|---------------|----------------|---------------|--------------|-------------|
|                                              | 31.12.2023     | Incidence %   | 31.12.2022     | Incidence %   | Value        | %           |
| Collection and payment services              | 29,546         | 14.0%         | 32,796         | 16.1%         | -3,250       | -9.9%       |
| Placement of securities                      | 3,415          | 1.6%          | 2,696          | 1.3%          | 719          | 26.7%       |
| Asset Management and receiving/sending order | 15,905         | 7.5%          | 15,204         | 7.4%          | 701          | 4.6%        |
| Distribution of insurance products           | 28,388         | 13.4%         | 28,597         | 14.0%         | -209         | -0.7%       |
| Keeping and management of current accounts   | 85,299         | 40.3%         | 78,576         | 38.5%         | 6,723        | 8.6%        |
| Placement of UCITS                           | 35,280         | 16.7%         | 31,654         | 15.5%         | 3,626        | 11.5%       |
| Other commissions                            | 13,580         | 6.5%          | 14,635         | 7.2%          | -1,055       | -7.2%       |
| <b>Net commissions</b>                       | <b>211,413</b> | <b>100.0%</b> | <b>204,158</b> | <b>100.0%</b> | <b>7,255</b> | <b>3.6%</b> |

The item "Other commissions" mainly includes factoring commissions of Euro 2.2 million (formerly Euro 2.1 million), commissions related to the placement of consumer credit products of Euro 4.1 million (formerly Euro 3.7 million) commissions for mortgage collection recovery expenses of Euro 1.7 million (formerly Euro 1.6 million), commissions for digital banking fees of Euro 2.1 million (formerly Euro 2.0 million).

#### Operating expenses

The aggregate of operating expenses, which includes personnel expenses, other administrative expenses and net value adjustments on tangible and intangible assets, amounted to approximately Euro 310.8 million (Euro 263.8 million in the comparison period), showing an increase compared to the comparison period of respectively Euro 29.1 million (+17.0%), Euro 15.5 million (+18.7%) and Euro 2.4 million (+25.1%).

#### Result from operations

Therefore, the result from operations at 31 December 2023 was Euro 250.1 million, an increase of Euro 42.1 million compared to the comparison period (+20.2%).

### *Current result after taxes*

From the *result of operations* of Euro 250.1 million, we arrive at the *current result after tax* of Euro 108.9 million, an increase of 14.5% compared to that of Euro 95.2 million in the comparative period, mainly due to:

- the *cost of credit* (given by the balance of *Net value adjustments for impairment of loans to customers and gains (losses) on sale or repurchase of loans*), amounting to approximately Euro 66.4 million, compared to Euro 56.3 million in the comparison period;
- net value adjustments on securities owned negative by Euro 4.4 million (negative by Euro 3.0 million in the comparison period);
- *net provisions for risks and charges* of Euro 7.9 million (Euro 3.2 million in the comparison period) attributable to dispute liabilities;
- *charges related to the banking system* for ordinary contributions of approximately Euro 14.0 million (Euro 14.5 million in the comparison period);
- *dividends from investments in subsidiaries* in the amount of Euro 2.8 million (formerly Euro 5.5 million);
- income taxes on current operations of Euro 51.4 million (formerly Euro 41.4 million).

### *Non-recurring operating result after taxes*

At 31 December 2023, there was a non-recurring profit after taxes of Euro 129.1 million (formerly Euro 7.0 million loss). The item essentially consists of:

- the gross proceeds of Euro 98.1 million, net of related administrative costs, from the completion of the transaction for the transfer to Worldline Italia of Banco Desio's merchant acquiring business ("*Aquarius Transaction*");
- the badwill of Euro 66.1 million resulting from the definitive purchase price allocation (PPA) process related to the acquisition of the 48 bank branches from BPER Banca S.p.A. (formerly Banca Carige S.p.A.) and by Banco di Sardegna S.p.A. with effect from 20 February 2023 ("*Lanternina Transaction*");
- the cost component of Euro 18.6 million to reflect the updated assessment of potential risks to which Banco Desio could be exposed following the preventive seizure of tax credits acquired over time, including the impossibility of offsetting the same<sup>22</sup>;
- the charge of about Euro 4.1 million related to the additional contribution to the "Deposit Guarantee Scheme" requested by the FITD in December;
- expenses amounting to Euro 3.3 million relating to consultancy and IT migration costs associated with the aforementioned Lanternina Transaction.

after the related negative tax effect of Euro 8.8 million.

Non-recurring operating loss after taxes of Euro 7.0 million was achieved in the comparison period. The item essentially consists of:

- Euro 3.2 million for the assessment of potential risks relating to a package of superbonus tax credits purchased from third parties and subject to seizure;
- Euro 5.3 million for charges connected to the agreement signed with BPER Banca S.p.A. for the purchase of two Business Units consisting of a total of 48 bank branches ("*Lanternina*" Project);

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<sup>22</sup> The assessment of the aforementioned risks necessarily required the application of a significant degree of professional judgement, the main elements of uncertainty of which are attributable to the outcome of the proceedings underway, the identification of the receivables the deductions of which have been assigned are effectively non-existent and the outcome of the initiatives that will be activated by Banco Desio to recover the amounts paid to the entities with respect to which cases of fraud have been ascertained.

- Euro 3.6 million related to the additional contribution to the "Deposit Guarantee Scheme" requested by the FITD in December;

after the related positive tax effect of Euro 3.8 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).

*Profit for the period*

The sum of the *current result* and the *non-recurring result*, both after taxes, determines the profit for the year at 31 December 2023 of approximately Euro 238.0 million (formerly Euro 88.2 million).

## 8 - Other Information

### 8.1 - Investments in Banco di Desio e della Brianza S.p.A. held by members of the management and control bodies, the Chief Executive Officer and the General Manager in office at year-end

| Name and Surname     | Role held at Banco di Desio e della Brianza S.p.A. | Title / Ownership method                          | Ordinary shares at 31.12.2022 | %     | Ordinary shares purchased | Conversion of savings shares | Ordinary shares sold | Ordinary shares at 31.12.2023 | %     |
|----------------------|----------------------------------------------------|---------------------------------------------------|-------------------------------|-------|---------------------------|------------------------------|----------------------|-------------------------------|-------|
| Stefano Lado *       | Chairman                                           | Ownership                                         | 2,353,957                     | 1.752 | 0                         | 0                            | 0                    | 2,353,957                     | 1.752 |
|                      |                                                    | In the name of the spouse                         | 6,500                         | 0.005 | 0                         | 0                            | 0                    | 6,500                         | 0.005 |
|                      |                                                    | Ownership through Vega Finanziaria SpA *          | 7,433,669                     | 5.533 | 198,936                   | 0                            | 0                    | 7,632,605                     | 5.681 |
|                      |                                                    |                                                   |                               |       |                           |                              |                      |                               |       |
| Alessandro Decio     | Chief Executive Officer and General Manager        |                                                   | 0                             | 0     | 0                         | 0                            | 0                    | 0                             | 0     |
| Graziella Bologna    | Director                                           |                                                   | 0                             | 0     | 0                         | 0                            | 0                    | 0                             | 0     |
| Valentina Casella    | Director                                           |                                                   | 0                             | 0     | 0                         | 0                            | 0                    | 0                             | 0     |
| Agostino Gavazzi     | Director                                           | Ownership                                         | 11,590                        | 0.009 | 0                         | 0                            | 0                    | 11,590                        | 0.009 |
|                      |                                                    | In the name of the spouse                         | 2,900                         | 0.002 | 0                         | 0                            | 0                    | 2,900                         | 0.002 |
| Gerolamo Gavazzi     | Director                                           | Ownership through the Gerolamo Gavazzi Foundation | 19,400                        | 0.014 | 0                         | 0                            | 0                    | 19,400                        | 0.014 |
|                      |                                                    | In the name of the spouse                         | 524,640                       | 0.390 | 0                         | 0                            | 0                    | 524,640                       | 0.390 |
|                      |                                                    | Ownership through Averia Srl                      | 4,489,705                     | 3.341 | 510,295                   | 0                            | 0                    | 5,000,000                     | 3.721 |
|                      |                                                    |                                                   |                               |       |                           |                              |                      |                               |       |
| Tito Gavazzi         | Director                                           |                                                   | 0                             | 0.000 | 0                         | 0                            | 0                    | 0                             | 0     |
| Laura Tulli          | Director                                           |                                                   | 0                             | 0.000 | 0                         | 0                            | 0                    | 0                             | 0     |
| Emiliano Barcaroli   | Chairman of the Board of Statutory Auditors        |                                                   | 0                             | 0.000 | 0                         | 0                            | 0                    | 0                             | 0     |
| Rodolfo Anghileri    | Statutory Auditor                                  | Ownership                                         | 7,040                         | 0.005 | 0                         | 0                            | 0                    | 7,040                         | 0.005 |
|                      |                                                    | In the name of the spouse                         | 7,040                         | 0.005 | 0                         | 0                            | 0                    | 7,040                         | 0.005 |
| Stefania Chiaruttini | Statutory Auditor                                  |                                                   | 0                             | 0.000 | 0                         | 0                            | 0                    | 0                             | 0     |
| Stefano Antonini     | Alternate Auditor                                  |                                                   | 0                             | 0.000 | 0                         | 0                            | 0                    | 0                             | 0     |
| Massimo Celli        | Alternate Auditor                                  |                                                   | 0                             | 0.000 | 0                         | 0                            | 0                    | 0                             | 0     |
| Silvia Re            | Alternate Auditor                                  |                                                   | 0                             | 0.000 | 0                         | 0                            | 0                    | 0                             | 0     |

\* Lawyer Stefano Lado is the holder of a general power of attorney by his children Giulia and Pietro Lado under which he holds 0.137% of the ordinary shares (183,570) of the Bank as well as control of Vega Finanziaria SpA.

### 8.2 - Investments in subsidiaries held by members of the management and control bodies and the General Manager in office at year-end

At 31 December 2023, as during the year, there were no investments in subsidiaries held by the members of the Board of Directors and Control Bodies and the General Manager in office.

### 8.3 - Treasury shares and parent company shares

At 31 December 2023, as at the end of the previous year, the Bank held neither treasury shares nor shares of the parent company Brianza Unione di Luigi Gavazzi e Stefano Lado S.a.p.A.. During the financial year, the Bank did not trade in any treasury shares nor shares of its parent company, not even through a trust company or intermediary.

## 8.4 - Relationships of Banco di Desio e della Brianza S.p.A. with the parent company and with subsidiaries or companies subject to significant influence

Below is a summary, with reference to the closing date of the financial year, of the balance sheet and income statement values underlying transactions between the Bank and the parent company, subsidiaries or companies subject to significant influence, broken down by counterparty and by nature.

Table No. 28 - **TRANSACTIONS WITH PARENT COMPANY, SUBSIDIARIES OR COMPANIES SUBJECT TO SIGNIFICANT INFLUENCE AT 31.12.2023**

| Amounts in Euro thousands                               | Assets           | Liabilities    | Guarantees / commitments | Income        | Expenses     |
|---------------------------------------------------------|------------------|----------------|--------------------------|---------------|--------------|
| <b>Parent Company</b>                                   |                  |                |                          |               |              |
| Brianza Unione di Luigi Gavazzi e Stefano Lado S.a.p.A. | 8                | 63,371         | 0                        | 70            | 2,775        |
| <b>Subsidiaries</b>                                     |                  |                |                          |               |              |
| FIDES S.p.A.                                            | 1,195,500        | 224,321        | 47                       | 28,350        | 2,583        |
| Desio OBG                                               | 0                | 0              | 0                        | 6             | 99           |
| <b>Companies subject to significant influence</b>       |                  |                |                          |               |              |
| Anthilia Capital Partners SGR S.p.A.                    | 468              | 0              | 0                        | 468           | 0            |
| <b>Transactions by company</b>                          | <b>1,195,976</b> | <b>287,692</b> | <b>47</b>                | <b>28,894</b> | <b>5,457</b> |
| <b>Breakdown of transactions by type</b>                |                  |                |                          |               |              |
| Financial                                               | 1,195,518        | 287,689        | 0                        | 21,586        | 5,358        |
| Commercial                                              | 458              | 3              | 47                       | 6,962         | 0            |
| Lease/asset management                                  | 0                | 0              | 0                        | 0             | 0            |
| Provision of services                                   | 0                | 0              | 0                        | 272           | 99           |
| Other                                                   | 0                | 0              | 0                        | 74            | 0            |
| <b>Transactions by type</b>                             | <b>1,195,976</b> | <b>287,692</b> | <b>47</b>                | <b>28,894</b> | <b>5,457</b> |

It should be noted that all the transactions shown in this table were settled, where it was possible to make a comparison, by applying the conditions and rates on average expressed by the market and in any case find their justification in the interest of the Bank itself or of the Group to which it belongs.

Pursuant to Article 16, paragraph 4, of the Consob Market Regulation (adopted by Resolution No. 20249 of 28 December 2017, as amended and supplemented), it should be noted that Brianza Unione di Luigi Gavazzi e Stefano Lado S.a.p.A., the parent company of the Bank, by express provision of its articles of association, does not exercise management and coordination activities over the Bank itself and its subsidiaries, either under banking regulations or under civil law. For more details on the structure of the Group for the purposes of management and coordination activities, please refer to section 2.3 of the Annual Corporate Governance Report made available, pursuant to Article 123-bis of the Consolidated Law on Finance, on the website [www.bancodesio.it](http://www.bancodesio.it).

## 8.5 - The rating

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".

On 20 February 2024, the sustainability rating was further upgraded by the agency "Standard Ethics" from "EE-" to "EE" with a "Positive" outlook, further positioning Banco Desio among the best performers in its sector.

## 8.6 - Transactions with related and/or connected parties

For a more detailed 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 [www.bancodesio.it](http://www.bancodesio.it).

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

## 8.7 - Information on incentive plans ("Phantom shares")

Within the framework of the remuneration policy, of particular importance are the short-term incentive and the long-term incentive, incentive plans that involve personnel in the achievement of company and Group objectives, both short and medium to long term.

The short-term incentive is a management lever to enhance the contribution of staff and recognise individual merit. The long-term incentive supports the 2024-2026 Business Plan "Beyond 26" and aligns management's interests with those of the Group's relevant stakeholders.

In particular, the most recent incentive plans adopted by Banco Desio at Group level are based on the assignment of "phantom shares" relating to Banco Desio to the Chief Executive Officer and General Manager and to the remaining key personnel of Banco Desio and its subsidiary Fides.

Further information on payment agreements based on own equity instruments is contained in the following "Part I - Payment agreements based on own equity instruments" of the explanatory notes, while detailed information on the Group's remuneration policy is contained in the "Annual Report on remuneration policy



and compensation paid", drawn up in compliance with supervisory provisions and made available, pursuant to art. 123-ter of the TUF, on the website [www.bancodesio.it](http://www.bancodesio.it).

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

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

## 8.9 - Research and development activities

Given the banking nature of the Parent Company Banco Desio, research and development activities are mainly aimed at studying the possible application of technological innovations in customer relations, to improve and/or expand the range of products/services, as well as in internal business processes, to simplify them and make them more efficient. In addition, important projects of a regulatory nature, related to the issuance of new system-wide regulations, have been and are being implemented.

These activities are managed centrally by the Parent Company Banco Desio.

The main initiatives for each area are highlighted below.

### Technology projects

In a constantly evolving market context, Italian banking customers are becoming increasingly digital. In particular, there has been double-digit growth in internet usage in recent years. The use of self channels has also grown significantly as customers increasingly use digital channels.

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

In this regard, Banco Desio is continuing with the acceleration plan based on digitalisation, with the aim of creating a real ecosystem of solutions capable of:

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

In particular, in addition to what was done in the year 2022 with the market releases of Plick, Instant Payment, Omnia and the OneD app, further services were released in the year 2023, enabling the Bank to continue its digitalisation path:

- Realisation and release of **Remote Selling** for the Nexi credit card with easy shopping. The purpose of the service was to enrich the range of products already placed through a new sales channel via the Remote Selling Platform that will allow customers to operate in self-buy mode when applying for a credit card in full digital mode directly in home banking (DWeb / DMobile). The credit card application is only available to consumer customers who are already current account holders.
- Release of the **Digital Onboarding** service that offers prospect users the opportunity to become Banco Desio customers by accessing the OneD app through a few simple steps. The OneD app also offers the possibility of certifying contacts, accepting and signing the contractual conditions by digital signature, and selecting the branch to root and digitally signing the privacy form and the Open Banking contract. Following the completion of the checks, Banco Desio proceeds with the account opening and sends the contract set to the user who will proceed by signing the contracts directly from the OneD app. The digital on-boarding process provides the user with a quick and easy experience, with application and processing times within 48 hours.

- Furthermore, in December 2023, Banco Desio joined the numerous financial intermediaries adhering to CBI Globe - Global Open Banking Ecosystem, the Open Finance ecosystem developed by CBI that develops innovative and value-added services in the world of digital payments, Open Banking and Open Finance. By joining the CBI Globe ecosystem, Banco Desio has implemented, for the benefit of all its customers, the **Check Iban** service, which allows to verify the correct association between IBAN (International Bank Account Number) and the holder's Tax Code/VAT number (natural or legal person). The major advantage of joining the service is the reduction of operational and fraud risks due to the verification of account information upon execution and receipt of a payment.
- The **One-D Business app** has been implemented and released, the aggregator for companies which, through the use of the opportunities enabled by the PSD2 regulations, has the objective and ambition to become an ecosystem of value-added solutions for both private and corporate customers, especially for POE and SB. In particular, One-D Business offers the possibility for customers to view and perform order transactions on all their current accounts directly from a single app.
- As of April 2023, Digital Credit Desio, the new Banco Desio platform that allows users to apply for and take out an unsecured loan of (initially) amounts from Euro 10 thousand to Euro 25 thousand over a term of either 12 or 18 months, is available on the market. The platform is accessible from the Banco Desio website for both prospect and actual.

The product subscribed on the platform can be provided to Business customers with the following characteristics:

- POE (Small Economic Operator) and SB (Small Business) segment.
- Capital Companies (hereafter "SdC"), Partnerships (hereafter "SdP") and Sole Proprietorships (hereafter "DI") with 3 years of activity and 2 filed financial statements (the latter where applicable).

The Digital Credit Desio platform is constantly evolving with the extension to corporate customers and the integration of the Guarantee Fund.

As per Group guidelines, information security and data protection are a priority, 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 Group continued to adapt and evolve its operational and information processes related to compliance activities, increasing the necessary safeguards and controls.

The management, control and measurement of IT risks, including cyber risk, is embedded in the broader internal control and risk management system adopted by the Bank as parent company of the Banco Desio Group. With reference to the main lines of evolution envisaged, it should be noted that the Parent Company is committed to a path of continuous strengthening of its first-level cyber security controls<sup>23</sup> through the development of a KPI system capable of continuously monitoring the following areas: the Group's positioning in the cyber security field, the effectiveness of anti-fraud detection systems, exposure to vulnerabilities, and incident management.

In November 2023, the Bank's Board of Directors also approved the 2024-2026 Business Plan "Beyond 26", which attaches particular importance to the identification and activation of enabling factors for the achievement of objectives with the adoption of strategies focused also on technological improvement.

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<sup>23</sup> With reference to the most recent regulatory developments in the field of cyber security and cyber risk (i.e. 40th update of Circ. 285/13), reference is made to the measures adopted by Banco Desio relating to (a) the expansion of the duties of the Board of Directors and the Chief Executive Officer in this area, (b) the organisational model (control responsibilities in the ICT and security area to the Risk Management and Compliance functions), (c) the operating model and (d) the definition of a short- and medium/long-term action plan for the management of ICT and Security Risks, as described in Part E - Information on risks and related hedging policies of the Notes, to which reference is made.

In fact, the Plan will focus on the development of value-added digital solutions dedicated to businesses with the aim of strengthening the One-D system so that it becomes the “one stop shop” for businesses for both financial and non-banking services.

### **Sustainability and climate-environmental risk**

Sustainability is one of the pillars of the 2024-2026 Business Plan “**Beyond 26**”; during 2023, the Group became more aware of the impact of sustainability issues on the competitive and regulatory context, as well as on its strategies, business model and objectives, in its role of supporting SMEs and households in the transition process towards an economy that combines economic sustainability with environmental and social sustainability.

In this context, the objective of Banco Desio and the Group is to assist and support current and future customers in understanding and addressing the challenges related to the transition to a sustainable economy through dedicated products and services. With particular reference to the world of financing, for the consumer target, the new Green Mortgage was finalised in 2023, aimed at the purchase of energy-efficient homes or the renovation of buildings, favouring the reduction of their environmental impact. The Group's willingness to support SMEs and households engaged in transition projects is embodied in the challenging Business Plan target of 2% of green loans aligned to the EU Taxonomy (Regulation 2020/852) on the stock of outstanding loans at the end of 2026.

In order to achieve these important objectives, the Group is constantly working towards a progressive integration of ESG criteria within its lending policies and to expand the offer of financing for sustainable projects. With reference to the commercial offer, the next commitments for the year 2024 will be dedicated to companies, through the launch of a first Green Enterprise Unsecured Loan and then an Enterprise Unsecured Loan with SACE Green Guarantee, to support them in their path of environmental transition, and to private individuals with personal loan solutions dedicated to sustainability.

As part of its asset management activities, aware of the importance of creating value for both the investor and the community, the Bank intends to act to consistently direct its resources towards investments that combine a return on capital with ESG objectives. In addition to a constant expansion of the range of investment products offered to clients from a sustainability perspective, both asset management and placement products (mutual funds, SICAVs, IBIPs), a path has been set in motion to integrate ESG aspects into the provision of investment services. This includes the start of the sustainability preference survey through the MiFID profiling questionnaire. In the distribution of insurance products and services, the Bank is committed to the progressive improvement of the sustainable product catalogue offered also in the area of protection.

For further information on ESG business initiatives, please refer to the Consolidated Non-Financial Statement (Banco Desio Group Sustainability Report 2023).

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

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

## **8.11 - Non-financial statement**

Pursuant to Legislative Decree No. 254 of 30 December 2016, Banco di Desio e della Brianza S.p.A. prepares a Consolidated non-financial statement, also known as the “Banco Desio Group's Sustainability

Report", which illustrates environmental, social, personnel, human rights and anti-corruption issues and is published in the form of a separate report with respect to the Consolidated financial statements.

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

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

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

To implement the new directive, the European Financial Reporting Advisory Group (EFRAG) was commissioned to develop common reporting standards, the European Sustainability Reporting Standards (ESRS). In this regard, on 31 July 2023, the European Commission finally adopted the Delegated Regulation containing a first set of sustainability reporting standards - European Sustainability Reporting Standards (ESRS).

Banco Desio is currently working on a specific project aimed at adapting to the new non-financial disclosure, which, in this specific case, will cover the financial year 2024.

Notice of the publication of the Sustainability Report is given by means of a press release, which includes an indication of the relevant section of the website [www.bancodesio.it](http://www.bancodesio.it) where the document can be consulted.

## 9 – Outlook and main risks and uncertainties

The Financial Statements at 31 December 2023 have been prepared on a going concern basis, as there are no reasons to believe otherwise in the foreseeable future, in view of the Bank's capital strength, growing operations with reference to the main commercial priorities of the strategic plan the careful management of credit quality and the low NPL ratio confirming the Bank's commercial strength and resilience, which confirmed the overperformance compared to the budget and Business Plan objectives despite a still unstable macroeconomic context due to international tensions (heightened by growing concerns about stability in the Middle East) and expectations regarding the responses of investors and the demand for goods and of services in response to monetary policy interventions aimed at reducing the current and expected inflation rate.

Based on the results achieved in the reporting period, it is deemed reasonable to assume that positive results will be achieved in 2024, 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 instability factors that could influence the Banco Desio commercial and funding strategy, the inflation trend remains the variable of greatest interest and significance for the effects it is having on monetary policy decisions.

In this context, Banco Desio will continue to carefully monitor and anticipate the expected effects of rate trends. At its meeting of 24 November 2023, the Board of Directors approved the new Business Plan "Beyond 26", which outlines the Bank's commercial and operational strategy, confirming its mission to support households, SMEs in their activities and asset management through growth in loans and assets under management.

The Plan foresees strong ESG commitment and investment with the ambition to lead Banco Desio to become the best proximity bank in Italy through innovation, digital, ESG criteria application and customer proximity.

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

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

## 10 - Proposal for approval of the financial statements and allocation of net profit

Shareholders,

We therefore submit for your approval the Financial Statements for the year ended 31 December 2023, which closed with a Net Profit for the year of Euro 238,044,542.60 as shown in the Income Statement.

Taking into account:

- the provisions of Article 28 of the Articles of Association;
- the provisions of Article 26 of Decree Law No. 104 of 10 August 2023 converted with amendments by Law No. 136 of 9 October 2023;
- dividend distribution policies, approved by the Board of Directors, which take into account the indications received from the Bank of Italy to ensure that dividend distribution policies are marked by prudence, especially when the macroeconomic outlook is characterised by elements of particular uncertainty;

the following allocation of net profit is proposed:

|                                                                                                            |                                  |
|------------------------------------------------------------------------------------------------------------|----------------------------------|
| - to be allocated to the legal reserve (10% of net profit)                                                 | Euro 23,804,454.00               |
| - to be allocated to the statutory reserve (10% of net profit)                                             | Euro 23,804,454.00               |
| - to be allocated to the restricted reserve pursuant to Article 26 of Decree Law No. 104 of 10 August 2023 | Euro 46,700,000.00 <sup>24</sup> |
| - to be allocated to Shareholders Euro 0.2634 for each of the 134,363,049 ordinary shares                  | Euro 35,391,227.11               |
| - to be allocated to the charity reserve                                                                   | Euro 65,000.00                   |
| - to be further allocated to the statutory reserve                                                         | Euro 108,279,407.49              |
| <b>Total Net profit</b>                                                                                    | <b>Euro 238,044,542.60</b>       |

The ratio of the proposed unit dividend to the average stock market value of the year (Dividend Yield) was 7.83%.

Desio, 29 February 2024

The Board of Directors

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<sup>24</sup> Amount resulting from the rounding of the actual figure of Euro 46,623,468 calculated as 2.5 times the value of the tax determined on the upper limit of 0.26% of the total risk exposure on an individual basis

## **Company Financial Statements**

## BALANCE SHEET

### ASSETS

| Asset items                                                                    | 31.12.2023            | 31.12.2022            | Changes            |             |
|--------------------------------------------------------------------------------|-----------------------|-----------------------|--------------------|-------------|
|                                                                                |                       |                       | absolute           | %           |
| 10. Cash and cash equivalents                                                  | 1,654,696,902         | 879,413,999           | 775,282,903        | 88.2%       |
| 20. Financial assets measured at fair value through profit or loss             | 159,275,020           | 139,820,367           | 19,454,653         | 13.9%       |
| a) Financial assets held for trading                                           | 7,897,661             | 25,764,091            | (17,866,430)       | -69.3%      |
| c) Other financial assets mandatorily measured at fair value                   | 151,377,359           | 114,056,276           | 37,321,083         | 32.7%       |
| 30. Financial assets measured at fair value through other comprehensive income | 835,464,917           | 842,346,603           | (6,881,686)        | -0.8%       |
| 40. Financial assets measured at amortised cost                                | 14,821,904,403        | 14,607,118,761        | 214,785,642        | 1.5%        |
| a) Loans with banks                                                            | 802,224,398           | 588,695,463           | 213,528,935        | 36.3%       |
| b) Loans to customers                                                          | 14,019,680,005        | 14,018,423,298        | 1,256,707          | 0.0%        |
| 50. Hedging derivatives                                                        | 21,431,370            | 59,099,410            | (37,668,040)       | -63.7%      |
| 60. Value adjustment of financial assets with macro hedges (+/-)               | (4,072,680)           | (19,592,581)          | 15,519,901         | -79.2%      |
| 70. Investments                                                                | 47,106,488            | 47,064,279            | 42,209             | 0.1%        |
| 80. Tangible assets                                                            | 228,040,814           | 217,639,396           | 10,401,418         | 4.8%        |
| 90. Intangible assets                                                          | 34,696,029            | 12,925,008            | 21,771,021         | 168.4%      |
| of which:                                                                      |                       |                       |                    |             |
| - goodwill                                                                     | 9,796,226             | 9,796,226             |                    |             |
| 100. Tax assets                                                                | 116,672,482           | 155,148,647           | (38,476,165)       | -24.8%      |
| a) current                                                                     | 196,701               | 3,636,788             | (3,440,087)        | -94.6%      |
| b) deferred                                                                    | 116,475,781           | 151,511,859           | (35,036,078)       | -23.1%      |
| 110. Non-current assets and groups of assets held for sale                     | -                     | 749                   | (749)              | -100.0%     |
| 120. Other assets                                                              | 595,889,504           | 571,787,526           | 24,101,978         | 4.2%        |
| <b>Total assets</b>                                                            | <b>18,511,105,249</b> | <b>17,512,772,164</b> | <b>998,333,085</b> | <b>5.7%</b> |



## LIABILITIES

| Liabilities and equity items                         | 31.12.2023            | 31.12.2022            | Changes            |             |
|------------------------------------------------------|-----------------------|-----------------------|--------------------|-------------|
|                                                      |                       |                       | absolute           | %           |
| 10. Financial liabilities measured at amortised cost | 16,784,443,144        | 16,084,785,299        | 699,657,845        | 4.3%        |
| a) Payables to banks                                 | 1,950,065,333         | 3,381,349,983         | (1,431,284,650)    | -42.3%      |
| b) Payables to customers                             | 12,553,930,068        | 11,167,284,403        | 1,386,645,665      | 12.4%       |
| c) Securities issued                                 | 2,280,447,743         | 1,536,150,913         | 744,296,830        | 48.5%       |
| 20. Financial liabilities held for trading           | 1,749,777             | 4,129,592             | (2,379,815)        | -57.6%      |
| 40. Hedging derivatives                              | 14,556,367            | -                     | 14,556,367         | 0.0%        |
| 60. Tax liabilities                                  | 11,594,769            | 1,076,224             | 10,518,545         | 977.4%      |
| a) current                                           | 3,332,021             | 43,517                | 3,288,504          | n.s.        |
| b) deferred                                          | 8,262,748             | 1,032,707             | 7,230,041          | 700.1%      |
| 70. Liabilities related to assets held for sale      | -                     | 10,896                | (10,896)           | -100.0%     |
| 80. Other liabilities                                | 275,250,881           | 237,907,196           | 37,343,685         | 15.7%       |
| 90. Employee severance indemnity (TFR)               | 19,108,303            | 17,554,882            | 1,553,421          | 8.8%        |
| 100. Provisions for risks and charges                | 56,601,949            | 48,695,517            | 7,906,432          | 16.2%       |
| a) commitments and guarantees given                  | 4,095,570             | 3,534,335             | 561,235            | 15.9%       |
| c) other provisions for risks and charges            | 52,506,379            | 45,161,182            | 7,345,197          | 16.3%       |
| 110. Valuation reserves                              | 3,136,802             | (13,229,927)          | 16,366,729         | -123.7%     |
| 140. Reserves                                        | 1,019,781,036         | 956,815,555           | 62,965,481         | 6.6%        |
| 150. Share premiums                                  | 16,145,088            | 16,145,088            | -                  |             |
| 160. Capital                                         | 70,692,590            | 70,692,590            | -                  |             |
| 180. Profit (loss) for the year (+/-)                | 238,044,543           | 88,189,252            | 149,855,291        | 169.9%      |
| <b>Total liabilities and equity</b>                  | <b>18,511,105,249</b> | <b>17,512,772,164</b> | <b>998,333,085</b> | <b>5.7%</b> |

## INCOME STATEMENT

| Items                                                                                                   | 31.12.2023           | 31.12.2022           | Absolute changes   | %             |
|---------------------------------------------------------------------------------------------------------|----------------------|----------------------|--------------------|---------------|
| 10. Interest and similar income                                                                         | 572,909,366          | 296,548,199          | 276,361,167        | 93.2%         |
| of which: interest income calculated using the effective interest rate method                           | 391,125,952          | 219,646,741          | 171,479,211        | 78.1%         |
| 20. Interest and similar expense                                                                        | (236,927,340)        | (39,865,532)         | (197,061,808)      | 494.3%        |
| <b>30. Net interest income</b>                                                                          | <b>335,982,026</b>   | <b>256,682,667</b>   | <b>79,299,359</b>  | <b>30.9%</b>  |
| 40. Commission income                                                                                   | 221,639,412          | 203,444,991          | 18,194,421         | 8.9%          |
| 50. Commission expenses                                                                                 | (12,027,843)         | (8,830,281)          | (3,197,562)        | 36.2%         |
| <b>60. Net commissions</b>                                                                              | <b>209,611,569</b>   | <b>194,614,710</b>   | <b>14,996,859</b>  | <b>7.7%</b>   |
| 70. Dividends and similar income                                                                        | 3,410,403            | 6,099,515            | (2,689,112)        | -44.1%        |
| 80. Net trading result                                                                                  | 4,396,929            | 4,537,089            | (140,160)          | -3.1%         |
| 90. Net hedging result                                                                                  | 4,274,752            | (491,739)            | 4,766,491          | n.s.          |
| 100. Gains (losses) on sale or repurchase of:                                                           | (5,361,901)          | (3,379,193)          | (1,982,708)        | 58.7%         |
| a) financial assets measured at amortised cost                                                          | (7,926,197)          | (3,991,722)          | (3,934,475)        | 98.6%         |
| b) financial assets measured at fair value through other comprehensive income                           | 2,020,401            | 594,684              | 1,425,717          | 239.7%        |
| c) financial liabilities                                                                                | 543,895              | 17,845               | 526,050            | n.s.          |
| 110. Net result of other financial assets and liabilities measured at fair value through profit or loss | (7,836,513)          | (10,443,573)         | 2,607,060          | -25.0%        |
| b) other financial assets mandatorily measured at fair value                                            | (7,836,513)          | (10,443,573)         | 2,607,060          | -25.0%        |
| <b>120. Net banking income</b>                                                                          | <b>544,477,265</b>   | <b>447,619,476</b>   | <b>96,857,789</b>  | <b>21.6%</b>  |
| 130. Net value adjustments/reversals for credit risk related to:                                        | (57,282,958)         | (41,628,726)         | (15,654,232)       | 37.6%         |
| a) financial assets measured at amortised cost                                                          | (57,273,466)         | (41,468,950)         | (15,804,516)       | 38.1%         |
| b) financial assets measured at fair value through other comprehensive income                           | (9,492)              | (159,776)            | 150,284            | -94.1%        |
| 140. Gains/losses from contractual amendments without derecognition                                     | 88,388               | 8,447                | 79,941             | 946.4%        |
| <b>150. Net result from financial operations</b>                                                        | <b>487,282,695</b>   | <b>405,999,197</b>   | <b>81,283,498</b>  | <b>20.0%</b>  |
| 160. Administrative expenses:                                                                           | (342,725,907)        | (297,997,180)        | (44,728,727)       | 15.0%         |
| a) personnel expenses                                                                                   | (200,701,718)        | (171,509,325)        | (29,192,393)       | 17.0%         |
| b) other administrative expenses                                                                        | (142,024,189)        | (126,487,855)        | (15,536,334)       | 12.3%         |
| 170. Net allocations to provisions for risks and charges                                                | (8,311,032)          | (4,499,009)          | (3,812,023)        | 84.7%         |
| a) commitments for guarantees given                                                                     | (300,327)            | 452,787              | (753,114)          | n.s.          |
| b) other net allocations                                                                                | (8,010,705)          | (4,951,796)          | (3,058,909)        | 61.8%         |
| 180. Net value adjustments/reversals on tangible assets                                                 | (17,620,783)         | (15,706,076)         | (1,914,707)        | 12.2%         |
| 190. Net value adjustments/reversals on intangible assets                                               | (3,471,697)          | (1,549,175)          | (1,922,522)        | 124.1%        |
| 200. Other operating expenses/income                                                                    | 83,404,642           | 28,593,159           | 54,811,483         | 191.7%        |
| <b>210. Operating costs</b>                                                                             | <b>(288,724,777)</b> | <b>(291,158,281)</b> | <b>2,433,504</b>   | <b>-0.8%</b>  |
| 230. Net result of fair value measurement of tangible and intangible assets                             | (159,609)            | -                    | (159,609)          | n.s.          |
| 250. Gains (Losses) on disposal of investments                                                          | -                    | (53,829)             | 53,829             | -100.0%       |
| <b>260. Profit (Loss) from current operations before taxes</b>                                          | <b>198,398,309</b>   | <b>114,787,087</b>   | <b>83,611,222</b>  | <b>72.8%</b>  |
| 270. Income taxes for the year on current operations                                                    | (58,378,299)         | (33,465,073)         | (24,913,226)       | 74.4%         |
| <b>280. Profit (Loss) from current operations after taxes</b>                                           | <b>140,020,010</b>   | <b>81,322,014</b>    | <b>58,697,996</b>  | <b>72.2%</b>  |
| 290. Profit (Loss) from discontinued operations after taxes                                             | 98,024,533           | 6,867,238            | 91,157,295         | n.s.          |
| <b>300. Profit (Loss) for the year</b>                                                                  | <b>238,044,543</b>   | <b>88,189,252</b>    | <b>149,855,291</b> | <b>169.9%</b> |

## STATEMENT OF COMPREHENSIVE INCOME

| Items                                                                                                          | 31.12.2023         | 31.12.2022          |
|----------------------------------------------------------------------------------------------------------------|--------------------|---------------------|
| <b>10. Profit (Loss) for the year</b>                                                                          | <b>238,044,543</b> | <b>88,189,252</b>   |
| <b>Other income components net of taxes without reversal to the income statement</b>                           |                    |                     |
| 20. Equity securities measured at fair value through other comprehensive income                                | (1,073,768)        | 1,407,788           |
| 50. Tangible assets                                                                                            | (27,234)           | -                   |
| 70. Defined benefit plans                                                                                      | (72,908)           | 1,023,017           |
| <b>Other income components net of taxes with reversal to the income statement</b>                              | -                  | -                   |
| 120. Cash flow hedges                                                                                          | -                  | 202,758             |
| 140. Financial assets (other than equity securities) measured at fair value through other comprehensive income | 17,540,639         | (31,639,789)        |
| <b>170. Total other income components net of taxes</b>                                                         | <b>16,366,729</b>  | <b>(29,006,226)</b> |
| <b>180. Comprehensive income (Item 10+170)</b>                                                                 | <b>254,411,272</b> | <b>59,183,026</b>   |

# STATEMENT OF CHANGES IN EQUITY 31.12.2023

|                            | Balance at 31.12.2022 | Changes in opening balances | Balance at 01.01.2023 | Allocation of previous year result |                                 | Changes in reserves | Changes in the year |                             |                                         |                               |                                |               | Comprehensive income at 31.12.2023 | Equity at 31.12.2023 |
|----------------------------|-----------------------|-----------------------------|-----------------------|------------------------------------|---------------------------------|---------------------|---------------------|-----------------------------|-----------------------------------------|-------------------------------|--------------------------------|---------------|------------------------------------|----------------------|
|                            |                       |                             |                       | Reserves                           | Dividends and other allocations |                     | Equity transactions |                             |                                         |                               |                                |               |                                    |                      |
|                            |                       |                             |                       |                                    |                                 |                     | Issue of new shares | Purchase of treasury shares | Extraordinary distribution of dividends | Changes in equity instruments | Derivatives on treasury shares | Stock options |                                    |                      |
| Capital:                   |                       |                             |                       |                                    |                                 |                     |                     |                             |                                         |                               |                                |               |                                    |                      |
| a) ordinary shares         | 70,692,590            | -                           | 70,692,590            |                                    |                                 |                     |                     |                             |                                         |                               |                                |               | 70,692,590                         |                      |
| b) other shares            | -                     |                             | -                     |                                    |                                 |                     |                     |                             |                                         |                               |                                |               | -                                  |                      |
| Share premiums             | 16,145,088            |                             | 16,145,088            |                                    |                                 |                     |                     |                             |                                         |                               |                                |               | 16,145,088                         |                      |
| Reserves:                  |                       |                             |                       |                                    |                                 |                     |                     |                             |                                         |                               |                                |               |                                    |                      |
| a) of profits              | 945,133,518           | -                           | 945,133,518           | 61,733,168                         |                                 | 1,232,313           |                     |                             |                                         |                               |                                |               | 1,008,098,999                      |                      |
| b) other                   | 11,682,037            |                             | 11,682,037            |                                    |                                 | -                   |                     |                             |                                         |                               |                                |               | 11,682,037                         |                      |
| Valuation reserves         | (13,229,927)          | -                           | (13,229,927)          |                                    |                                 | -                   |                     |                             |                                         |                               |                                | 16,366,729    | 3,136,802                          |                      |
| Equity instruments         | -                     |                             | -                     |                                    |                                 |                     |                     |                             |                                         |                               |                                |               | -                                  |                      |
| Treasury shares            | -                     |                             | -                     |                                    |                                 |                     |                     |                             |                                         |                               |                                |               | -                                  |                      |
| Profit (Loss) for the year | 88,189,252            |                             | 88,189,252            | (61,733,168)                       | (26,456,084)                    |                     |                     |                             |                                         |                               |                                | 238,044,543   | 238,044,543                        |                      |
| Equity                     | 1,118,612,558         | -                           | 1,118,612,558         | -                                  | (26,456,084)                    | 1,232,313           | -                   | -                           | -                                       | -                             | -                              | 254,411,272   | 1,347,800,059                      |                      |

# STATEMENT OF CHANGES IN EQUITY 31.12.2022

|                            | Balance at 31.12.2021 | Changes in opening balances | Balance at 01.01.2022 | Allocation of previous year result |                                 | Changes in reserves | Changes in the year |                             |                                         |                               |                                |               | Comprehensive income at 31.12.2022 | Equity at 31.12.2022 |
|----------------------------|-----------------------|-----------------------------|-----------------------|------------------------------------|---------------------------------|---------------------|---------------------|-----------------------------|-----------------------------------------|-------------------------------|--------------------------------|---------------|------------------------------------|----------------------|
|                            |                       |                             |                       | Reserves                           | Dividends and other allocations |                     | Equity transactions |                             |                                         |                               |                                |               |                                    |                      |
|                            |                       |                             |                       |                                    |                                 |                     | Issue of new shares | Purchase of treasury shares | Extraordinary distribution of dividends | Changes in equity instruments | Derivatives on treasury shares | Stock options |                                    |                      |
| Capital:                   |                       |                             |                       |                                    |                                 |                     |                     |                             |                                         |                               |                                |               |                                    |                      |
| a) ordinary shares         | 70,692,590            | -                           | 70,692,590            |                                    |                                 |                     |                     |                             |                                         |                               |                                |               | 70,692,590                         |                      |
| b) other shares            | -                     |                             | -                     |                                    |                                 |                     |                     |                             |                                         |                               |                                |               | -                                  |                      |
| Share premiums             | 16,145,088            |                             | 16,145,088            |                                    |                                 |                     |                     |                             |                                         |                               |                                |               | 16,145,088                         |                      |
| Reserves:                  |                       |                             |                       |                                    |                                 |                     |                     |                             |                                         |                               |                                |               |                                    |                      |
| a) of profits              | 911,513,314           | -                           | 911,513,314           | 34,074,485                         |                                 | (454,281)           |                     |                             |                                         |                               |                                |               | 945,133,518                        |                      |
| b) other                   | 11,682,037            |                             | 11,682,037            |                                    |                                 | -                   |                     |                             |                                         |                               |                                |               | 11,682,037                         |                      |
| Valuation reserves         | 15,776,299            | -                           | 15,776,299            |                                    |                                 | -                   |                     |                             |                                         |                               |                                | (29,006,226)  | (13,229,927)                       |                      |
| Equity instruments         | -                     |                             | -                     |                                    |                                 |                     |                     |                             |                                         |                               |                                |               | -                                  |                      |
| Treasury shares            | -                     |                             | -                     |                                    |                                 |                     |                     |                             |                                         |                               |                                |               | -                                  |                      |
| Profit (Loss) for the year | 52,415,041            |                             | 52,415,041            | (34,074,485)                       | (18,340,556)                    |                     |                     |                             |                                         |                               |                                | 88,189,252    | 88,189,252                         |                      |
| Equity                     | 1,078,224,369         | -                           | 1,078,224,369         | -                                  | (18,340,556)                    | (454,281)           | -                   | -                           | -                                       | -                             | -                              | 59,183,026    | 1,118,612,558                      |                      |

## CASH FLOW STATEMENT - DIRECT METHOD

|                                                                              | 31.12.2023           | 31.12.2022           |
|------------------------------------------------------------------------------|----------------------|----------------------|
| <b>A. OPERATING ACTIVITIES</b>                                               |                      |                      |
| <b>1. Operations</b>                                                         | <b>240,798,840</b>   | <b>138,909,232</b>   |
| - interest income collected (+)                                              | 546,726,989          | 279,722,236          |
| - interest expense paid (-)                                                  | (233,730,443)        | (38,305,276)         |
| - dividends and similar income (+)                                           | 600,343              | 601,089              |
| - net commissions (+/-)                                                      | 207,828,461          | 202,889,543          |
| - personnel expenses (-)                                                     | (197,701,718)        | (171,573,165)        |
| - other costs (-)                                                            | (155,747,413)        | (129,368,157)        |
| - other revenues (+)                                                         | 129,933,560          | 25,651,172           |
| - taxes and duties (-)                                                       | (58,378,299)         | (37,575,447)         |
| - costs/revenues related to discontinued operations net of tax effect (+/-)  | 1,267,360            | 6,867,237            |
| <b>2. Liquidity generated (absorbed) by financial assets</b>                 | <b>(172,935,899)</b> | <b>980,845,172</b>   |
| - financial assets held for trading                                          | 18,584,562           | (14,939,043)         |
| - financial assets designated at fair value                                  |                      |                      |
| - other assets mandatorily measured at fair value                            | (45,172,074)         | (49,148,605)         |
| - financial assets measured at fair value through other comprehensive income | 34,089,537           | (295,171,977)        |
| - financial assets measured at amortised cost                                | (219,700,947)        | 1,561,420,139        |
| - other assets                                                               | 39,263,023           | (221,315,342)        |
| <b>3. Liquidity generated (absorbed) by financial liabilities</b>            | <b>675,569,867</b>   | <b>(304,220,589)</b> |
| - financial liabilities measured at amortised cost                           | 695,012,361          | (232,636,752)        |
| - financial liabilities held for trading                                     | (2,379,815)          | (1,771,762)          |
| - financial liabilities designated at fair value                             |                      |                      |
| - other liabilities                                                          | (17,062,679)         | (69,812,075)         |
| <b>Net liquidity generated (absorbed) by operating activities (A)</b>        | <b>743,432,808</b>   | <b>815,533,815</b>   |
| <b>B. INVESTMENT ACTIVITIES</b>                                              |                      |                      |
| <b>1. Liquidity generated by</b>                                             | <b>99,568,432</b>    | <b>6,203,969</b>     |
| - sales of investments                                                       |                      |                      |
| - dividends collected on investments                                         | 2,810,059            | 5,498,426            |
| - sales of tangible assets                                                   | 1,200                | 705,543              |
| - sales of intangible assets                                                 |                      |                      |
| - sales of business units                                                    | 96,757,173           |                      |
| <b>2. Liquidity absorbed by</b>                                              | <b>(44,434,787)</b>  | <b>(11,450,735)</b>  |
| - purchases of investments                                                   | (42,209)             | (4,864,551)          |
| - purchases of tangible assets                                               | (15,848,061)         | (4,566,658)          |
| - purchases of intangible assets                                             | (25,242,718)         | (2,019,526)          |
| - purchases of business units                                                | (3,301,799)          |                      |
| <b>Net liquidity generated (absorbed) by investment activities (B)</b>       | <b>55,133,645</b>    | <b>(5,246,766)</b>   |
| <b>C. FINANCING ACTIVITIES</b>                                               |                      |                      |
| - issues/purchases of treasury shares                                        |                      |                      |
| - issues/purchases of equity instruments                                     |                      |                      |
| - distribution of dividends and other purposes                               | (26,456,084)         | (18,340,556)         |
| <b>Net liquidity generated (absorbed) by financing activities (C)</b>        | <b>(26,456,084)</b>  | <b>(18,340,556)</b>  |
| <b>NET LIQUIDITY GENERATED (ABSORBED) DURING THE YEAR (A+B+C)</b>            | <b>772,110,369</b>   | <b>791,946,493</b>   |

### Key

(+) generated

(-) absorbed

## RECONCILIATION

|                                                            | 31.12.2023    | 31.12.2022  |
|------------------------------------------------------------|---------------|-------------|
| Cash and cash equivalents at the beginning of the year     | 879,413,999   | 84,294,942  |
| Total net liquidity generated/absorbed during the year     | 772,110,369   | 791,946,493 |
| Cash and cash equivalents; effect of exchange rate changes | 3,172,534     | 3,172,564   |
| Cash and cash equivalents at the end of the year           | 1,654,696,902 | 879,413,999 |

## Notes



## **PART A – ACCOUNTING POLICIES**

### **A.1 GENERAL PART**

#### **Section 1 – Declaration of compliance with international accounting standards**

These financial statements, in application of Legislative Decree No. 38 of 28 February 2005, which implemented EU Regulation No. 1606 of 19 July 2002, are prepared in accordance with IAS/IFRS, in force at the reference date of 31 December 2023, issued by the International Accounting Standards Board (IASB) with the related interpretations of the IFRS Interpretations Committee (formerly IFRIC) and endorsed by the European Commission.

#### **Section 2 – General preparation principles**

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

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

Also considered, insofar as they are also applicable with reference to the conflict in Ukraine and the growing international tensions, were the interpretative and support documents for the application of the accounting principles in relation to the impacts of Covid-19, issued by the regulatory and supervisory bodies and standard setters (European Banking Authority, European Securities and Markets Authority, European Central Bank, Bank of Italy, Consob, IFRS Foundation), which provide recommendations on the most relevant aspects, on the accounting treatment of particular transactions or on financial reporting, for which reference is made to the following paragraph "Risks, uncertainties and impacts deriving from war conflicts, the residual effects of the Covid-19 epidemic, climate risk and the macroeconomic context".

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

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

The amounts in the Financial Statements are expressed in units of Euro, while the figures in the Notes to the Financial Statements are expressed - unless otherwise indicated - in Euro thousands.

#### **Section 3 - Events subsequent to the reference date of the financial statements**

These financial statements were approved on 29 February 2024 by the Board of Directors of Banco di Desio e della Brianza S.p.A., which simultaneously authorised their publication.

Highlighted below are significant events occurring in the period between the reporting date (31 December 2023) and the date of approval of the draft financial statements by the Board of Directors (29 February 2024), exclusively attributable to the case of "non-adjusting events" in accordance with IAS 10, i.e. events that do not entail any adjustment of the balances in the financial statements, as they are the expression of situations arising after the reporting date.

#### Binding agreements signed for entry into the share capital of Dynamica Retail S.p.A.

On 31 January 2024, Banco Desio announced that it had signed a sale and purchase agreement and an investment agreement with the shareholders of Dynamica Retail S.p.A. ("Dynamica" or "Company"), a company active in the provision of salary-backed loans to private customers, concerning the Banco Desio entry into the share capital of Dynamica through the purchase of the majority of the share capital and the subscription of a capital increase reserved for Banco Desio.

Upon completion of the Transaction, the execution of which is conditional upon, inter alia, obtaining authorisation from the Bank of Italy, Banco Desio will hold a stake of no less than 80% of the Company's share capital, while the remaining stake will be held by the current management, which will continue to contribute to the growth of the Company within the Banco Desio Group.

For further information, please refer to the information in "Section 2 - Transactions realised after the end of the year" in Part G of the Notes to the Financial Statements.

#### Transaction DESIO SME

On 12 February 2024 ("legal effective date"), the sale was finalised for consideration, en bloc and without recourse, of a portfolio of receivables arising from loans to Italian SMEs that are mortgage-backed, unsecured and, in part, guaranteed by Medio Credito Centrale, disbursed by Banco di Desio e della Brianza S.p.A. (or the merged Banca Popolare di Spoleto S.p.A.) to the specially incorporated securitisation vehicle, Desio SME SPV srl, based in Italy and having Stichting Rugiada as sole shareholder. The value of the loan portfolio transferred in the transaction is Euro 540 million in terms of gross book value.

As part of the Transaction, the Bank was appointed by Desio SME SPV srl to carry out, in the role of Servicer, the collection activities of the assigned credits and cash and payment services pursuant to art. 2, paragraphs 3, 6 and 6-bis of Law 130.

The initiative is part of a securitisation of performing loans (without derecognition) aimed at improving liquidity management by optimising portfolio management and diversifying funding sources.

#### **Section 4 - Other aspects**

##### **New accounting standards/interpretations or amendments of existing ones**

With reference to the new international accounting standards, or amendments to standards already in force, which have already been endorsed by the European Commission and whose application became mandatory as of 1 January 2023, there were no impacts arising from the changes related to the adoption of IFRS 17 Insurance Contracts.

At the reference date of 31 December 2023, the following documents have been approved by the European Commission:

- amendments to IFRS 16 Leases: Disclosures about Leases, the amendments specify how the selling lessee subsequently evaluates sale and leaseback transactions (Reg. EU 2023/2579) applicable to financial statements as from 1 January 2024;

The Bank does not expect any significant impact from the entry into force of the aforementioned changes.

##### **Use of estimates and assumptions in preparing the financial statements**

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

The use of such estimates implies the use of available information and the adoption of subjective evaluations, also based on historical experience, for the formulation of reasonable assumptions for the recognition of operating events. By their very nature, it is therefore not possible to exclude the possibility that the assumptions made, however reasonable, may not be confirmed in the future scenarios in which the Bank will operate. Future results may therefore differ from the estimates made for the purpose of

preparing the balance sheet and income statement at the reporting date, and adjustments to the carrying amount of assets and liabilities recognised in the balance sheet that cannot be foreseen or estimated at present may be necessary.

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

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

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

**Risks, uncertainties and impacts arising from war conflicts, residual effects of the Covid-19 epidemic, climate risk and the macroeconomic context**

Among the main factors of uncertainty that could affect the future scenarios in which the Bank will find itself operating, the negative effects on the global and Italian economy directly or indirectly linked to the continuation of war conflicts (in particular in Europe and the Middle East) must not be underestimated, which is part of a context already characterised by tensions in global supply chains and the residual effects of the Covid-19 epidemic.

The reporting year was strongly impacted by the restrictive stance of European monetary policy, worrying increases in the energy sector and high levels of inflation with a consequent slowdown in the economy, which, together with the residual effects of the Covid-19 epidemic and the increasing awareness of climate risk at an international level, represent the main elements of uncertainty for future scenarios; the fourth quarter of the year, however, saw a gradual normalisation of the global economy, a phase of contained inflation and an improving outlook for Central Banks with the expectation of a reduction in rates from mid-2024.

In this regard, an illustration is provided below of the estimation processes that require the use of significant elements of judgement in the selection of underlying hypotheses and assumptions and the consequent application solutions adopted by the Parent Company, aligning them with the evolution of the context observed from time to time, aware of its role in providing the necessary support to its stakeholders, people and businesses, in the current context characterised by significant factors of uncertainty and volatility.

**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 identified at the time during 2020 for the preparation of the financial reports remain confirmed which, in light of the performance of the

reference macroeconomic context, have been subject to calibration and refinement over time due to the evolution of the general and sector macroeconomic framework.

The Bank analysed the evaluation aspects in alignment with the indications of the various regulators, taking into account the indications contained in the documents published by various international institutions (ESMA, EBA, BCE-SSM, IFRS Foundation), aiming to achieve a balance between the need to avoid excessively pro-cyclical hypotheses in the models used to estimate expected credit losses and the need to ensure that the risks related to the macroeconomic context to which the Group is (or will be) exposed are adequately reflected in the accounting and prudential assessments.

In particular, referring to the guidelines expressed in the Bank of Italy's Communication of 29 September 2023 "Situation of Less Significant Institutions (LSI)", significant institutions (LSI) are expected to adopt prudent loan valuation criteria and financial investment policies, and to be proactive and timely in executing the funding plans. In particular, credit risk assessments should be based, consistent with the relevant accounting standards, on conservative policies and practices to avoid the emergence of unexpected losses and to increase the transparency of financial statement documentation.

Therefore, taking into account the elements of uncertainty and macroeconomic change still present in the current market context, the Bank has considered updating both the macroeconomic forecasts and the models used to estimate expected losses by adopting forecasts prepared by specialised providers. These projections take into account the transmission of the effects of the war conflicts and the inflationary shocks to the economy through multiple channels such as the decline in international trade and foreign demand, the reduction in private consumption, the effects of uncertainty and confidence on the propensity of companies to invest, etc.

In relation to the persistent elements of uncertainty in the macroeconomic scenarios already mentioned and consistent with the expectations of the regulators, as well as with the approach of utmost care applied in the performance monitoring of exposures already adopted in the three previous years, the Bank deemed it appropriate to continue to adopt a prudent approach in assessing the longer-term impacts also in relation to new emerging risk factors, defining post-model adjustments.

The main characteristics of the model for determining the expected loss, of the macroeconomic scenarios incorporated therein and of the management overlay interventions, in which the effects of climate change are already considered, are described in more detail in the following "Part E - Information on risks and related hedging policies" to which reference is made.

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

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

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

### **Fair value measurement of financial instruments**

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

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

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

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

### **Impairment test of intangible assets with indefinite life (goodwill) and investments**

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

Here again, the authorities expressed themselves in suggesting extreme caution in updating valuation scenarios, at least in the phase of most acute uncertainty.

For the preparation of this document of financial statements, in line with IAS 36 *Impairment of assets* and the *Impairment Policy for intangible assets with indefinite useful life (goodwill) and investments*, the Bank updated its economic-financial forecasts, with projections over an explicit time horizon of five years.

Consequently, on the reference date, the valuation analyses of the impairment test were not carried out by using a multi-scenario approach in consideration of the fact that the economic-financial forecasts considered are based on reasonable assumptions, anchored to the general macroeconomic and sector framework that is still affected by the elements of significant uncertainty previously mentioned.

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

|          | 31.12.2023                                    |                       |                                                        | 31.12.2022                      |                       | 31.12.2021                      |                       |
|----------|-----------------------------------------------|-----------------------|--------------------------------------------------------|---------------------------------|-----------------------|---------------------------------|-----------------------|
| CGU      | BDB<br>(goodwill)                             | Fides<br>(investment) | Anthilia SGR<br>(investment)                           | BDB<br>(goodwill)               | Fides<br>(investment) | BDB<br>(goodwill)               | Fides<br>(investment) |
| Model    | DDM                                           |                       |                                                        |                                 |                       |                                 |                       |
| Flows    | Net Results                                   |                       |                                                        |                                 |                       |                                 |                       |
| Database | 2024-26 Business Plan<br>extended to 2028 (*) |                       | 2023-2025<br>Activity Plan<br>extended to<br>2028 (**) | 2023 Budget extended<br>to 2027 |                       | 2022 Budget extended<br>to 2026 |                       |

|                      |        |        |                |        |       |            |       |
|----------------------|--------|--------|----------------|--------|-------|------------|-------|
| CAGR RWA             | 2.60%  | 14.30% | 0.90%          | 2.40%  | 8.40% | 2.50%      | 7.10% |
| Ke                   | 11.92% |        |                | 10.37% |       | 8.28% (**) |       |
| g                    | 2.03%  |        |                | 2.06%  |       | 1.58%      |       |
| Capital ratio (****) | 13.01% | 6.00%  | 10.37% (*****) | 10.93% | 4.88% | 9.84%      |       |

(\*) 5-year forecasts, approved by the Board of Directors on 8 February 2024, which were developed by the management taking into account the 2024-26 Business Plan, the 2024 budget, the 2023 final results as well as the most recent market forecasts available

(\*\*) 5-year forecasts that have been developed by Banco Desio management taking into account the 2023-2025 Business Plan approved by the AMC Board of Directors on 24 March 2023, the final 2023 results as well as the most recent market forecasts available

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

(\*\*\*\*) In 2023 and 2022: Target allocated capital on the estimated entity (CET1 average 5Y) also in order to oversee consistency with compliance with the minimum CET1 levels at CRR Group level. In 2021: Target allocated capital on the Banco Desio Group estimated (CET1 average 5Y) also in order to monitor compliance with the minimum CET1 levels at CRR Group level.

(\*\*\*\*\*) Target allocated capital on Anthilia Capital Partners SGR estimated considering the "Other risks" requirement

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

|                                                                  | 31.12.2023        |                       |                              | 31.12.2022        |                       | 31.12.2021        |                       |
|------------------------------------------------------------------|-------------------|-----------------------|------------------------------|-------------------|-----------------------|-------------------|-----------------------|
| CGU                                                              | BDB<br>(goodwill) | Fides<br>(investment) | Anthilia SGR<br>(investment) | BDB<br>(goodwill) | Fides<br>(investment) | BDB<br>(goodwill) | Fides<br>(investment) |
| Decrease in % of Future Net Results (NR)                         | 31.39%            | 56.91%                | 23.23%                       | 32.21%            | 60.22%                | 43.56%            | 44.33%                |
| Increase in bps of the discount rate of future cash flows (FCFE) | Over 1,000        | Over 7,000            | 275                          | Over 1,000        | Over 1,000            | Over 1,000        | Over 1,000            |

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

For qualitative and quantitative information on how the impairment test was performed, please refer to the following sections "Investments - Item 70" and "Intangible Assets - Item 90" in "Part B - Information on the Balance Sheet".

### **Estimating the recoverability of deferred tax assets**

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

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

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

For the remaining tax assets that cannot be converted into tax credits, the assessment of the likelihood of recovery must be based on reasonable income forecasts inferable from the approved strategic and forecast plans, also taking into account that for IRES purposes, the tax law provides for the carry-forward of tax losses without any time limit. Such a judgement is a complex exercise, particularly when it relates to

DTA on tax loss carry-forwards, the very existence of which could be an indicator of not having sufficient taxable income in the future to recover them. According to the provisions of IAS 12 Income Taxes, the aforementioned assessment of recoverability (the so-called probability test) requires careful recognition of all evidence supporting the likelihood of having sufficient taxable income in the future.

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

For qualitative information on the method of verifying the recoverability of deferred tax assets, please refer to the following section "Tax assets - Item 100", contained in "Part B - Information on the Balance Sheet".

### ***Estimating provisions for risks and charges***

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

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

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

For information on the main risk positions related to litigation (revocation actions and pending lawsuits), please refer to the section "Provisions for risks and charges - Item 100" in "Part B - Information on the Balance Sheet".

### ***Estimating employee benefit obligations***

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

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

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

| Demographic assumptions                                       | 31.12.2023                                                                                  | 31.12.2022         | 31.12.2021 |
|---------------------------------------------------------------|---------------------------------------------------------------------------------------------|--------------------|------------|
| Employee mortality rate                                       | determined by the General Accounting Office of the State called RG48, broken down by gender |                    |            |
| Frequency and amount of employee severance indemnity advances | 4.00%                                                                                       |                    |            |
| Turnover frequencies                                          | 2.50%                                                                                       |                    |            |
| Financial assumptions                                         | 31.12.2023                                                                                  | 31.12.2022         | 31.12.2021 |
| Iboxx Euro Corporate AA discount rate 7-10 years (*)          | 3.42%                                                                                       | 3.42%              | 0.38%      |
| Inflation rate                                                | 3.04%                                                                                       | 5.9% for 2023 (**) | 1.20%      |

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

(\*\*) 2.3% for 2024, 2.0% from 2025

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

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

### Going concern

These financial statements are prepared under the going concern assumption. In consideration of the capital solidity and the growing operational management with reference to the main commercial priorities of the strategic plan, the level of NPL ratio under control and in line with previous years and the further initiatives adopted to minimise the effects of the economic situation, the Directors in fact, have a reasonable expectation that the Bank will continue with its operational existence in the foreseeable future and have prepared the financial statements with the presumption of business continuity. The Directors therefore believe that the risks and uncertainties that the Bank may encounter in the course of operations, also considering the continuing negative effects of the macroeconomic context mentioned, are not such as to generate doubts about the Group's ability to continue as a going concern.

For information on risks and related controls, please refer to "Part E - Information on risks and related hedging policies", as well as to the Report on Operations.

### Contractual amendments resulting from COVID-19

#### 1) Contractual amendments and derecognition (IFRS 9)

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

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



counting of days past-due. Moreover, adherence to a moratorium for Covid-19 is not considered an automatic trigger for unlikely to pay.

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

## **2) Amendment of accounting standard IFRS 16**

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

### **TLTRO III - "Targeted Longer Term Refinancing Operations"**

TLTRO III "Targeted Longer Term Refinancing Operations" are financing operations conducted by the European Central Bank aimed at maintaining favourable bank credit conditions. Banco Desio participated in four TLTRO III auctions for a total outstanding amount of Euro 1.445 billion following the natural maturity of two TLTRO III tranches (June and December 2023, respectively) for Euro 1.6 billion during 2023.

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 Standards, Changes in Accounting Estimates and Errors, Banco Desio has established an accounting policy whereby the provisions of IFRS 9 Financial Instruments were deemed applicable.

Taking into account the decisions taken over time by the Governing Council of the ECB, in 2023, Banco Desio recognised interest expense for a total of Euro 92.5 million (against negative interest of Euro 17.4 million in the previous year).

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

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

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

Following the notification of contributions by the competent authorities, the charges relating to ordinary and extraordinary contributions paid are recognised in the income statement under item "150 b) Other

administrative expenses", as per the indications contained in the Bank of Italy's communication of 19 January 2016.

#### **Sales related to the "Held to Collect" business model**

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

In particular, it should be noted that gains were realised in the year from the sale of bonds in the HTC portfolio for Euro 3.8 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 431 million took place in compliance with the turnover thresholds set for the HTC portfolio (turnover at 31 December 2023 of 9.85% compared to the 10% threshold value).

Since these exposures are classified as "Financial assets measured at amortised cost", i.e. in the portfolio held with the objective of collecting the contractual cash flows (so-called "Held to Collect" or "HTC"), IFRS 9 requires that they be sold subject to certain thresholds of significance or frequency, near maturity, in the presence of increased credit risk, or in the occurrence of exceptional circumstances of liquidity stress. During the year, the eligibility criteria for sales of financial assets managed with the HTC business model applied to the proprietary securities portfolio were reviewed. In this regard, an analysis was conducted to, among other things, review the approach adopted by the Bank against current best market practices.

Taking into account the update mentioned above, the management of debt securities classified in the HTC and "Held To Collect and Sell" (or "HTCS") portfolios continues in line with the choices made previously; therefore, no change in the business model occurred during the reference period that would have led to a reclassification of the portfolio.

#### **Option for National Tax Consolidation**

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

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

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

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

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

That being said, in compliance with the provisions of the art. 1, paragraph 125, of law No. 124 of 4 August 2017, we inform you that during the 2023 financial year, no amount was collected by the entities of the Banco Desio Group by way of "grants, contributions, paid assignments and in any case economic benefits of any kind".

### **Comparability of Financial Statements**

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

The balance sheet and income statement figures for the reporting period were affected by the aggregation transaction known as the "Lanternina Transaction" in application of IFRS 3 *Business Combinations*. The balance sheet and income statement figures for the reporting period and the comparison period were also affected by the sale of the merchant acquiring business unit called "Aquarius Transaction" in application of IFRS 5 *Non-current assets held for sale and discontinued operations*.

### **Terms for the approval and publication of financial statements**

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

The draft financial statements of Banco di Desio e della Brianza S.p.A. were approved by the Board of Directors at its meeting of 29 February 2024 and will be submitted for approval to the Shareholders' Meeting called for 18 April 2024.

### **Statutory Audit**

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

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

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

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

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

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

#### *Classification criteria*

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

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

In particular, the following are recognised under this item:

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

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

According to the general rules in IFRS 9 on reclassification of financial assets (except for equity securities for which no reclassification is permitted), reclassifications to other categories of financial assets are not permitted unless the entity changes its business model for managing financial assets. In such cases, which are expected to be highly infrequent, the financial assets may be reclassified from the category measured at fair value through profit or loss into one of the other two categories under IFRS 9 (*Financial assets measured at amortised cost* or *Financial assets measured at fair value through other comprehensive income*). The transfer value is the fair value at the time of reclassification and the effects of the reclassification operate prospectively from the date of reclassification. In this case, the effective interest rate of the reclassified financial asset is recalculated based on its fair value at the date of reclassification and this date is considered as the initial recognition date for the allocation to the different credit risk stages

(stage assignment) for impairment purposes.

#### *Recognition criteria*

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

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

#### *Measurement criteria*

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

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

#### *Derecognition criteria*

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

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

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

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

#### *Classification criteria*

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

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

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

In particular, the following are recognised under this item:

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

According to the general rules in IFRS 9 on reclassification of financial assets (except for equity securities

for which no reclassification is permitted), reclassifications to other categories of financial assets are not permitted unless the entity changes its business model for managing financial assets. In such cases, which are expected to be highly infrequent, the financial assets may be reclassified from the category measured at fair value through other comprehensive income into one of the other two categories under IFRS 9 (*Financial assets measured at amortised cost* or *Financial assets measured at fair value through profit or loss*). The transfer value is the fair value at the time of reclassification and the effects of the reclassification operate prospectively from the date of reclassification. In the case of reclassification from this category to the amortised cost category, the cumulative gain (loss) recognised in the valuation reserve is deducted from the fair value of the financial asset at the date of reclassification. In the case of reclassification to the fair value category through profit or loss, the cumulative gain (loss) previously recognised in the valuation reserve is reclassified from equity to profit (loss) for the year.

#### *Recognition criteria*

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

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

#### *Measurement criteria*

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

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

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

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

#### *Derecognition criteria*

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

### **3 - Financial assets measured at amortised cost**

#### *Classification criteria*

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

- the financial asset is held according to a business model whose objective is achieved through the collection of contractually agreed cash flows (HTC), and

- the contractual terms of the financial asset provide, at certain dates, for cash flows consisting solely of payments of principal and interest on the principal amount to be repaid (SPPI test passed).

In particular, the following are recognised under this item:

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

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

#### *Recognition criteria*

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

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

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

#### *Measurement criteria*

Subsequent to initial recognition, these financial assets are measured at amortised cost, using the effective interest rate method: the asset is recognised at an amount equal to the initial recognition value less principal repayments, plus or minus the cumulative amortisation (calculated using the effective interest rate method) of the difference between this initial amount and the amount at maturity (typically attributable to costs/income allocated directly to the individual asset) and then netted with value adjustments.

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

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

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

assets and the remaining (stages 1 and 2) performing financial assets.

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

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

The financial assets in question, if performing, are subjected to a valuation, aimed at defining the value adjustments to be recognised in the financial statements, at the level of the individual loan relationship (or “tranche” of security), according to the risk parameters represented by probability of default (PD), loss given default (LGD) and exposure at default (EAD), derived from the internal rating models in use (Credit Rating System) suitably adjusted to take into account the provisions of IFRS 9.

If, in addition to a significant increase in credit risk, there is also objective evidence of impairment, the amount of the loss is measured as the difference between the carrying amount of the asset (classified as “impaired”, like all other relationships with the same counterparty) and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the loss, to be recognised in the Income Statement, is defined on the basis of an analytical valuation process or determined by homogeneous categories and, therefore, attributed analytically to each position and takes into account forward-looking information with the inclusion of possible alternative recovery scenarios (“disposal scenario”).

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

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

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

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

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

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

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



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

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

- the purposes for which the modifications were made: for example, renegotiations for commercial reasons and granting due to financial difficulties of the counterparty:
  - the former, aimed at "retaining" the customer, involve a debtor who is not in a situation of financial difficulty. This includes all renegotiation transactions that are aimed at adjusting the onerousness of the debt to market conditions. Such transactions entail a change in the original terms of the contract, usually requested by the debtor, which relates to aspects connected to the onerousness of the debt, with a consequent economic benefit for the debtor. As a general rule, it is considered that whenever the bank renegotiates in order to avoid losing its customer, such renegotiation should be regarded as material because, if it were not carried out, the customer would be able to obtain financing from another intermediary and the bank would suffer a decrease in expected future revenues;
  - the second, carried out for "credit risk reasons" (forbearance measures), are attributable to the bank's attempt to maximise the cash flow recovery of the original loan. The underlying risks and rewards, after modification, are normally not substantially transferred and, consequently, the accounting representation is that made through "modification accounting" - which implies immediate recognition in the income statement item "140. "Gains/losses from contractual amendments without derecognition" of the difference between the carrying amount and the present value of the modified cash flows discounted at the original interest rate - and not through derecognition;
- the presence of specific objective elements ("triggers") affecting the characteristics and/or contractual flows of the financial instrument (such as, by way of example only, a change of currency or a change in the type of risk to which one is exposed, when correlated to equity and commodity parameters), which are deemed to lead to derecognition in consideration of their impact (expected to be significant) on the original contractual flows.

#### *Derecognition criteria*

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

#### *Recognition criteria of income components*

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

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

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

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

In the case of receivables acquired through a business combination, any higher value recognised in the consolidated financial statements upon initial recognition is released to the income statement over the

life of the receivable in accordance with its amortisation schedule or in full in the year in which the receivable is extinguished.

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

#### **4 - Hedging transactions**

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

##### *Classification criteria*

The purpose of hedging transactions is to neutralise certain risks of potential loss on financial assets or liabilities through specific financial instruments, the use of which is intended to cushion the effects on the income statement of the hedged financial instruments.

The type of hedge used can be of the type:

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

##### *Recognition criteria*

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

The recognition of hedging transactions presupposes:

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

##### *Measurement criteria*

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

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

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

#### *Recognition criteria of income components – fair value hedges*

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

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

#### *Recognition criteria of income components – cash flow hedges*

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

- the portion of gain/loss defined as effective is recognised in equity with an offsetting entry to valuation reserves;
- the ineffective portion of the hedge is recognised in the income statement.

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

#### *Derecognition criteria*

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

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

### **5 - Investments**

#### *Classification criteria*

Investments are classified as investments in subsidiaries, associates, or jointly controlled enterprises. Other non-controlling interests follow the treatment set out in IFRS 9 and are classified as *Financial assets measured at fair value through profit or loss (FVTPL)* or *Financial assets measured at fair value through other comprehensive income (FVOCI)*.

Subsidiaries are defined as entities in which there is exposure to variable returns, or rights on said returns, arising from the Bank's relation with the same and simultaneously, there is the ability to affect said returns exercising its power on said entities.

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

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

#### *Recognition criteria*

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

### *Measurement criteria*

The post initial measurement criterion applied to investments is cost, adjusted for impairment losses if necessary.

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

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

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

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

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

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

### *Derecognition criteria*

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

### *Recognition criteria of income components*

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

## **6 - Tangible assets**

### *Classification criteria*

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

### *Recognition criteria*

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

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

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

In application of IFRS 16, leases are accounted for on the basis of the right-of-use model, whereby, at the

inception date, the lessee has a financial obligation to make payments due to the lessor to compensate for its right to use the underlying asset during the lease term.

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

#### *Measurement criteria*

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

For tangible assets subject to valuation by the revaluation method:

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

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

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

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

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

#### *Derecognition criteria*

Tangible assets are derecognised when they are disposed of.

#### *Recognition criteria of income components*

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

## **7 - Intangible assets**

#### *Classification criteria*

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

#### *Recognition criteria*

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

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

#### *Measurement criteria*

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

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

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

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

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

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

#### *Derecognition criteria*

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

#### *Recognition criteria of income components*

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

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

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

#### *Classification criteria*

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

#### *Recognition criteria*

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

#### *Measurement criteria*

Following classification in this category, these assets are measured at the lower of their carrying amount and their relative fair value, net of costs to sell, except for certain types of assets - e.g., all financial

instruments within the scope of IFRS 9 - for which IFRS 5 requires that the measurement criteria of the relevant accounting standard continue to be applied.

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

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

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

#### *Derecognition criteria*

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

### **9 - Current and deferred taxation**

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

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

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

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

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

### **10 - Provisions for risks and charges**

#### ***Provisions for risks and charges for commitments and guarantees given***

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

#### ***Other provisions for risks and charges***

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

Provisions respect the best estimate of future cash flows needed to fulfil the obligation existing at the

reporting date. In cases where the time effect is a relevant aspect, the amounts set aside are discounted by considering the estimated maturity of the obligation. The discount rate reflects current assessments of the present value of money, taking into account the specific risks associated with the liability.

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

#### *Recognition criteria of income components*

The allocation is recognised in the Income Statement.

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

### **11 - Financial liabilities measured at amortised cost**

#### *Classification criteria*

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

#### *Recognition criteria*

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

#### *Measurement criteria*

After initial recognition, financial liabilities are measured at amortised cost using the effective interest rate method. An exception are short-term liabilities, for which the time factor is negligible, which remain recorded at the amount collected. Lease payables are revalued when there is a lease modification (e.g. a change in the scope of the contract), which is not accounted for/considered as a separate contract.

#### *Derecognition criteria*

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

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

### **12 - Financial liabilities held for trading**

#### *Recognition and classification criteria*

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

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

#### *Valuation and recognition criteria of income components*

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



#### *Derecognition criteria*

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

## **14 - Currency transactions**

### *Recognition criteria*

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

### *Measurement criteria*

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

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

### *Recognition criteria of income components*

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

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

## **15 - Other Information**

### **Cash and cash equivalents**

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

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

### **Value adjustment of financial assets and financial liabilities subject to macro hedging**

These items include, respectively, changes in the fair value of financial assets and liabilities subject to macro hedging against interest rate risk, based on their respective balance, whether positive (item “60. Value adjustment of financial assets subject to macro hedging”) and negative (item “50. Value adjustment of financial liabilities subject to macro hedging”), whose economic balancing entry is item “90. Net hedging result”, as well as for specific fair value hedges.

### **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.

### **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.

Any remaining balances (of “credit balance”) of in transit and suspended items not allocated to the relevant accounts may also be included.

### **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 the event of the extinguishment of such loans (acquired through a business combination), any higher value recognised on initial recognition is released in full in the year in which the loan is extinguished with an impact on the Income Statement (item *Net value adjustments/reversals for credit risk related to financial assets measured at amortised cost*);

- any default interests, in accordance with the terms of the relevant agreement, are recognised in the Income Statement only when actually received;
- dividends are recognised in the Income Statement when the right to receive payment arises, it is probable that the economic benefits arising from them will flow to the Bank and the amount can be reliably measured; fees for service revenues are recognised, based on the existence of contractual agreements, in the period in which the services are rendered. Commissions considered in amortised cost for the purpose of determining the effective rate are recognised under interest;
- revenues or costs arising from the intermediation of financial trading instruments, determined by the difference between the transaction price and the fair value of the instrument, are recognised in the income statement when the transaction is recognised if the fair value can be determined by reference to recent parameters or transactions observable on the same market on which the instrument is traded (level 1 and level 2 of the fair value hierarchy). If these values are not readily ascertainable, or if they have reduced liquidity (level 3), the financial instrument is recorded at an amount equal to the transaction price, less the trade margin; the difference with respect to the fair value flows to the Income Statement over the life of the transaction through a progressive reduction, in the valuation model, of the correction factor associated with the reduced liquidity of the instrument;
- gains and losses arising from the trading of financial instruments are recognised in the Income Statement when the sale is completed, based on the difference between the consideration paid or received and the carrying amount of the instruments;
- revenues from the sale of non-financial assets are recognised when the sale is completed, i.e. when the obligation to do so is fulfilled vis-à-vis the customer.

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

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

### **Share-based payments or phantom shares**

These are payments to employees, as consideration for work performed, settled by means of equity instruments, which consist, for example, of the allocation of:

- rights to subscribe to paid-in capital increases (stock options);
- rights to receive shares or phantom shares (so-called "phantom shares") upon reaching certain targets.

For accounting purposes, in accordance with IFRS 2, payments based on "phantom shares" adopted by Banco Desio are configured as "cash settled" plans, to be recognised on the basis of the fair value of the services received.

In view of the difficulties in directly estimating the fair value of the services received in return for the grant of shares, it is possible to measure the value of the services received indirectly by reference to the fair value of the equity instruments at the date of their grant.

Personnel incentive plans based on treasury shares are therefore recognised in the income statement (item "190. a) Personnel expenses") against a corresponding increase in shareholders' equity (item "100. c) other provisions for risks and charges"), based on the fair value of the financial instruments granted at the grant date and according to the accrual criterion of the service provided.

In particular, when the shares granted are not immediately "usable" by the employee, but will be when the employee has completed a specific period of service, the company recognises the cost, as consideration for the service rendered, over the vesting period.

For the subsidiaries, too, the incentive plans based on the Parent Company's "phantom shares", and not on treasury shares, are configured as "cash settled" plans. Pursuant to IFRS 2, in the respective company financial statements and with a view to the consolidated financial statements, the accrued cost is therefore recognised under personnel expenses as a balancing entry to increase item "100. c) other provisions for risks and charges for the cash component" and to increase item "150. Reserves" for the equity component) settled through the Parent Company's "*phantom shares*".

### **Repurchase agreements, securities lending and contangos**

Repurchase agreements or contangos, whereby the Group sells securities to third parties with the obligation to repurchase them at the maturity date of the transactions at a predetermined price, are recorded under liabilities to banks or to customers depending on the counterparty. Similarly, repurchase agreements or contangos, whereby the Group purchases securities from third parties with the obligation to resell them at the maturity date of the transactions at a predetermined price, are accounted for as loans with banks or customers (accounting category of "Financial assets measured at amortised cost"), depending on the counterparty. The difference between the spot and forward prices of the aforementioned transactions is accounted for as interest (payable or receivable, as the case may be) and recorded on an accrual basis over the life of the transaction. Securities lending transactions in which the collateral is cash that is fully available to the lender are recognised in the financial statements in the same way as the aforementioned repurchase agreements.

In the case of securities lending transactions with collateral in the form of other securities, or without collateral, the lender and borrower continue to recognise in the assets side of the balance sheet, respectively, the security lent and the security given as collateral. The remuneration for such operations is recognised by the lender under item "40. Fee and commission income" and by the borrower under item "50. Fee and commission expense".

### **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<sup>25</sup> 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.

For further details, please refer to the information provided in these Notes to the Financial Statements under "Part E - Section 1 - C. Securitisation transactions".

### **Leases**

IFRS 16 defines a lease as that contract, or part of a contract, under which the lessor grants the lessee the right to use an identified asset (ROU - "Right of Use") for a certain period of time in exchange for a certain fee. The key elements in defining whether a contract, or any part of it, meets the definition of a lease are that the asset is identified, that the lessee has the right to control the use of the asset, and that the lessee receives substantially all of the economic benefits.

#### *Recognition in the lessee's financial statements*

If the Bank acts in the capacity of lessee, the IFRS 16 accounting model provides for the recognition of a liability in the balance sheet based on the present value of future lease payments to be made over the contractual term, with the right to use the leased asset recognised as an asset.

In detail, the date of initial recognition of the asset and liability in the company's balance sheet corresponds to the effective date of the contract, i.e. the date on which the asset is made available to the lessee.

On that date, the lessee recognises:

- under "Tangible Assets", the asset for the right of use, determined by the sum of the following values:
  - present value of future payments (value of recognised liability);
  - initial direct costs (such as, for example, agent costs);
  - lease fees paid in advance (maxi-fee);
  - estimate of any costs for removal and restoration, recognised in accordance with IAS 37;
  - net of any lease incentives received by the lessor;

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<sup>25</sup> 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.

- under "Financial liabilities measured at amortised cost", the financial liability, equal to the present value of the lease payments due. The discount rate used is equal to the incremental borrowing rate on the contract date.

In identifying a lease contract, Banco Desio avails itself of the option granted by IFRS 16 to disregard "short-term" contracts, i.e. those with a maturity of less than 12 months, and "low value" contracts, i.e. those with a value of the assets as new of less than Euro 5,000. This option may be exercised on a contract-by-contract basis, in which case the costs of the fees are recognised directly in the income statement when they accrue.

With reference to the term of the lease, in addition to the non-cancellable period in which the Bank cannot avoid paying the lease instalments, options to extend the lease term are considered if it is reasonably certain that they will be exercised by the Bank, taking into account all facts and circumstances. In particular, with reference to contracts that provide for the tenant's option to renew the lease at the end of the first term, Banco Desio considers the initial term of the lease (e.g. 12-year term for 6-year + 6-year leases) and, once this term has expired, the next first renewal period (e.g. the next 6 years), where there is no reasonable evidence that this could lead to a further renewal period or, vice versa, to the end of the contract. Furthermore, the lease is assumed to be renewed in the next period if in the 18 months prior to the expiry of the first or subsequent renewal period, the lessee has not given notice of termination to the lessor.

After registration:

- the right of use must be measured at cost according to IAS 16 and subject to amortisation and possible impairment over the term of the contract or the useful life of the asset;
- the liability is measured at amortised cost, i.e. it is increased as interest expense accrues and gradually reduced as royalty payments are made.

In the event of a change in the lease payments due, the liability must be restated, with a balancing entry against the right-of-use asset. The modification may result in the registration of a separate lease (if the subject matter of the existing contract increases) or in the modification of the existing contract (so-called "lease modification"). In the presence of a lease modification, it is necessary to recognise the change in the lease liability at the effective date of the modification, as a balancing entry to the right-of-use asset, with the exception of gains and losses arising from the cancellation (partial or total) of the lease, which flow to the income statement.

#### *Recognition in the lessor's financial statements*

If the Bank acts as lessor, the IFRS 16 accounting model requires a distinction to be made between assets granted under finance leases and assets granted under operating leases, depending on the different accounting treatment applicable to the two cases.

In detail, a lease is classified as a financial lease if it transfers substantially all risks and rewards to the lessee. A financial lease is, in effect, a financing contract whereby the leasing company acquires, in lieu of the lessee, an asset by assigning the right of use to the lessee.

Recognition in the lessor's financial statements takes place using the financial method, by recording a receivable in the amount of the principal portion of the lease payments to be received (increased by non-recovered "up-front" external transaction costs and reduced by "up-front" transaction revenues that contribute to the remuneration of the receivable), as if it were a financing transaction.

Subsequently, the loan is measured at amortised cost, which is equal to the initial recognition value less principal repayments, less or increased by the amortisation - calculated using the effective interest rate method - of the difference between the amount disbursed and the amount repayable on maturity, typically attributable to costs/income directly allocated to the individual loan. Loans are subject to the rules of impairment. For more details on the accounting rules for loans measured at amortised cost, please refer to point "3. Financial assets measured at amortised cost" of this part A.2.

In the case of operating leases, the lessor's financial statements continue to show the leased assets and the lease payments are recognised as revenues in the income statement. At Banco Desio level, this is the case for real estate owned and leased; in this case, these properties continue to be recognised as "Tangible assets held for investment purposes", according to the relevant valuation criterion (cost). In the

income statement, the income from the lease of these assets flows into the item "Other operating income".

### **Off-balance sheet credit exposures - guarantees given and commitments**

Off-balance sheet credit exposures consist of guarantees given and commitments to disburse funds on predefined terms and conditions that involve the assumption of a credit risk and fall within the scope of the impairment provisions of IFRS 9.

The initial recognition value of guarantees given is equal to the fair value, which normally corresponds to the amount received when the guarantee was issued.

Subsequently, guarantees given are valued at the higher of the amount recognised at initial recognition, net of any amortised portion, and the amount estimated to be required to fulfil the obligation.

For the purpose of calculating the expected loss, use was made of the same methods of allocation to the three stages of credit risk provided for by IFRS 9 and already described in part "3 - Financial assets measured at amortised cost" and "2 - Financial assets measured at fair value through other comprehensive income" as well as in part "16 - Other information, Methods for determining impairment of financial assets".

As shown in part "10 - Provisions for risks and charges", the provisions related to the impairment of guarantees given and commitments to disburse funds are entered under balance sheet item "100. Provisions for risks and charges: a) commitments and guarantees given", in accordance with the provisions of Bank of Italy Circular No. 262; the balancing entry is income statement item "200. Net allocations to provisions for risks and charges: a) commitments and guarantees given".

### **Methods for determining impairment of financial instruments IFRS 9**

At each balance sheet or interim reporting date, loans and debt securities classified as "Financial assets measured at amortised cost" and "Financial assets measured at fair value through other comprehensive income" - as well as off-balance sheet exposures represented by commitments to disburse funds and guarantees given - must be subject to an impairment process, aimed at estimating expected credit losses (ECL).

#### *General aspects of the impairment model*

According to the Expected Credit Losses calculation model, losses must be recognised not only by reference to objective evidence of impairment losses already manifested at the valuation date, but also on the basis of the expectation of future impairment losses that have not yet occurred.

In particular, the ECL model provides that the aforementioned instruments must be classified into three distinct "stages", according to their absolute or relative credit quality with respect to the initial disbursement, to which correspond different criteria for measuring expected losses. In detail:

- Stage 1: comprises the performing financial assets, whether originated or acquired, for which no significant deterioration in credit risk ("SICR - Significant Increase in Credit Risk") has been observed since initial recognition;
- Stage 2: includes performing financial assets that at the valuation date have experienced a significant deterioration in credit risk (SICR) since initial recognition, although not impaired;
- Stage 3: includes all exposures for which there are one or more events capable of negatively impacting cash flows (evidence of impairment), i.e. exposures that are considered impaired.

For Stage 1 exposures, the expected loss is recognised, at initial recognition and at each subsequent reporting date, over a time horizon of up to one year; for Stage 2 and 3 exposures, expected losses are recognised over a time horizon that considers the entire remaining life of the instrument (lifetime).

An exception to the above is represented by financial assets considered impaired since their acquisition or origination (so-called "POCI - Purchased or Originated Credit Impaired"), for which reference should be made to the section on "Purchased or originated impaired financial assets".

The perimeter of the exposures classified in Stage 3 corresponds to that of impaired exposures, identified on the basis of the definitions established by supervisory regulations (Bank of Italy Circular No. 272 "Accounts Matrix") and recalled by Bank of Italy Circular No. 262 "Banks' financial statements: formats and rules for preparation", as they are considered consistent with IAS/IFRS accounting regulations, in terms of objective evidence of impairment. In detail, the aforementioned circulars identify the following categories of impaired assets:



- Bad loans: represent on and off-balance sheet exposures to borrowers that are unable to meet their payment obligations – even if their insolvency has not been established by a court of law – or in equivalent conditions, regardless of any loss forecasts formulated by the Bank;
- Unlikely to pay: represent on-balance-sheet and off-balance-sheet exposures for which the conditions for the debtor's classification as bad loans do not exist and for which it is considered unlikely that, without recourse to actions such as the enforcement of collateral, the debtor will meet its credit obligations in full (in principal and/or interest). This assessment is conducted independently of the presence of any overdue and unpaid amounts (or instalments). Classification among unlikely to pay is not necessarily linked to the explicit presence of anomalies, such as non-repayment, but is linked to the existence of elements indicative of a situation in which the debtor is at risk of default (e.g. a crisis in the industrial sector in which the debtor operates);
- Past-due and/or overdrawn impaired exposures: on-balance sheet exposures, other than those classified as bad loans or unlikely to pay, which, as at the reporting date, have been past due and/or overdrawn for more than 90 days, according to the materiality thresholds set out in the aforementioned regulations. For the Group, past-due and/or overdrawn impaired exposures are determined by reference to the position of the individual debtor.

In addition, Bank of Italy regulations, in line with EBA standards, introduced the definition of "Forborne Exposures". In particular, these are exposures benefiting from forbearance measures, which consist of concessions, in terms of modification and/or refinancing of a pre-existing loan, to a borrower solely because of, or to prevent, its financial distress that could adversely affect its ability to fulfil its original contractual commitments, and which would not have been granted to another debtor with a similar risk profile not in financial distress. Such forbearances must be identified at the individual facility level and may relate to exposures of debtors classified in both performing and non-performing (impaired) status.

For exposures with forbearance measures, which are classified as unlikely to pay, the return to performing exposures, and in particular to "Stage 2" exposures, can only take place after one year has elapsed from the time of granting (the so-called "probation period") and all other conditions set out in paragraph 157 of the EBA ITS are met.

In any event, renegotiated exposures should not be considered forborne when the borrower is not in a situation of financial difficulty: these are renegotiations granted for commercial reasons.

#### Impairment losses on performing financial instruments

For performing financial assets, i.e. those assets not considered impaired as defined above, it is necessary to assess, at each reporting date, the presence of a Significant Increase in Credit Risk (SICR), by comparing the credit risk associated with the financial instrument at the time of valuation with that at the time of disbursement or acquisition. This comparison is made using both quantitative and qualitative criteria. More specifically, in order to ascertain the existence of a significant deterioration in credit quality and the consequent passage of the financial instrument from Stage 1 to Stage 2, the Banco Desio Group has identified the following criteria ("Stage Assignment"):

- relative quantitative criteria, based on statistical observations or on changes in PD above a certain threshold considered to be a backstop indicator, deemed to be an expression of a significant increase in credit risk over time;
- absolute qualitative criteria, represented by the identification of trigger events or the exceedance of absolute thresholds within the credit monitoring process;
- backstop indicators, i.e. credit "delinquency" factors, the manifestation of which suggests that a significant increase in credit risk has occurred, unless there is evidence to the contrary.

For further details on the model used to determine expected losses on performing exposures, with particular reference to the stage assignment criteria, the method of calculating risk parameters, the macroeconomic forecast scenarios and the relative probabilities of occurrence, please refer to the section "2.3 Methods for measuring expected losses" contained in Part E of these Notes to the Financial Statements, under the section on credit risk.

#### Impairment losses on impaired financial instruments

As illustrated above, for impaired financial assets, to which a probability of default of 100% is associated, the amount of value adjustments for expected losses relating to each loan is equal to the difference between its carrying amount (interim situation) at the time of valuation (amortised cost), and the present value of expected future cash flows, calculated by applying the original effective interest rate or a

reasonable approximation thereof where the original rate is not directly available. Cash flows are estimated on the basis of the expected recovery over the entire life of the asset (lifetime), taking into account the estimated realisable value of any guarantees.

In order to estimate the expected cash flows and related timing, the loans under review are subject to an analytical valuation process. For certain homogeneous categories of non-performing loans, the valuation processes provide for loss forecasts to be based on "lump-sum" calculation methodologies, to be analytically traced back to each individual position. The perimeter of exposures subject to a lump-sum valuation process is represented:

- by bad loans and unlikely to pay with exposure less than or equal to an established materiality threshold of Euro 25 thousand;
- by the total of impaired past-due exposures regardless of the exposure materiality threshold. In particular, these are loans with continuous overdrafts or late payments, automatically identified by the Group's IT procedures, according to the aforementioned rules of the Supervisory Authority.

On the other hand, the analytical valuation provides for different minimum loss criteria depending on the counterparty's risk status at the time of quantification (Bad loans, Unlikely to pay, Past-Due), the type of exposure (Secured, Unsecured), and the presence of guarantees other than mortgages (sureties, pledges, trusts). In detail, for securitised exposures, the valuation is based on the valuation of the underlying assets (collateral) and the application of appropriate haircuts according to the type of real estate collateral, while for unsecured exposures, the loss forecast is defined as a complement to the recovery curves based on the observation of internal time series, taking into account any mitigating elements deriving from the presence of other guarantees. In addition, the so-called time value, i.e., the time estimated for recovery of the loan differentiated according to vintage, and the probability of transition to bad loan status (Danger Rate) for exposures classified as Unlikely to pay, are taken into account for loss forecasting purposes.

Consistently with the objectives for the transfer of impaired credit exposures, established from time to time by the Board of Directors, the quantification of the expected losses of the aforementioned exposures includes forward-looking elements, through the introduction of specific sale scenarios, where the Group's NPL strategy envisages that the recovery of the aforementioned exposures may take place through a sale on the market, with a view to pursuing a derisking strategy aimed at reducing the NPL ratio, i.e., the percentage of impaired exposures with respect to the total exposures.

Consequently, the estimate of the expected losses of these positions reflects not only the expected recovery through ordinary operations (work out) but also the presence, appropriately calibrated, of the sales scenario and therefore of the related cash flows.

For further details on the model used to determine expected losses on performing exposures, with particular reference to the stage assignment criteria, the method of calculating risk parameters, the macroeconomic forecast scenarios and the relative probabilities of occurrence, please refer to the section "2.3 Methods for measuring expected losses" contained in Part E of these Notes to the Financial Statements, under the section on credit risk.

### ***Purchased or originated impaired financial assets***

If, upon initial recognition, a credit exposure classified in the items "Financial assets measured at fair value through profit or loss" or "Financial assets at amortised cost" is impaired, it qualifies as a "Purchase or Originated Impaired Credit Impaired Financial Asset" (POCI).

An asset is considered impaired on initial recognition if the credit risk is very high and, in the case of purchase, the price has been paid at a significant discount to the outstanding contractual debt. These assets are initially recognised at Stage 3, with the possibility of reclassification to Stage 2. Thus, an expected loss will be recognised on them using an impairment model based on lifetime ECL.

With reference to the criteria for initial recognition, measurement and derecognition, reference is made to as illustrated under the asset headings into which they can be classified, except as specified below, with reference to the method of determining amortised cost and impairment.

In detail, the amortised cost and consequently the interest income is calculated using a credit-adjusted effective interest rate. With respect to the determination of the effective interest rate, the aforementioned credit adjustment consists of taking into account expected credit losses over the entire remaining life of the asset when estimating future cash flows.

In addition, the assets under consideration also provide for a special treatment with regard to the impairment process, as they are always subject to the determination of an expected loss over the life of the financial instrument; therefore, after initial recognition, gains or losses arising from any change in the expected loss over the life of the loan with respect to the initial loss must be recognised in the income statement. It is therefore not possible for the calculation of expected losses for such assets to be made using a time horizon of one year.

For the Group, the main events referable to the POCI are those resulting from the Lanternina business combination transaction and the repurchase of bad loans by the vehicle 2Worlds Srl (GACS transaction).

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

Decree Laws No. 18/2020 (so-called “Heal Italy”) and No. 34/2020 (so-called “Relaunch”) have introduced into the Italian legal system tax incentive measures connected with both investment expenditure (e.g. eco and sismabonus) and current expenditure (e.g. rents of premises for non-residential use). These tax incentives are applied to households or businesses, they are commensurate with a percentage of the expenditure incurred (which in some cases even reaches 110%) and are disbursed in the form of tax credits or tax deductions (with an option to convert them into tax credits). The main features of these tax credits are (i) the possibility of using them for offsetting; (ii) transferability to third-party purchasers; and (iii) non-refundability by the tax authorities.

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

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

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

***Business combination transactions: purchase price allocation***

*Introduction*

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<sup>26</sup>, first of all, the specific analysis required for the identification of the characteristics of a "business activity (or Business)", with respect to the perimeter acquired, must be conducted in order to then proceed to the identification of a business combination to be accounted for on the basis of the so-called Acquisition Method.

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

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

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

#### Fair value of assets and liabilities acquired

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

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

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

#### Identification of intangible assets

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

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

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;

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<sup>26</sup> 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".

- contracts with customers and customer relationships established as a result thereof: contracts with customers satisfy the contractual/legal requirement to constitute an intangible asset even if their sale or transfer separately from the acquired business is prohibited in the combination agreement; for this purpose, contacts established as a matter of practice with customers, irrespective of the existence of a formal contract, and all non-contractual relationships are also relevant, provided that they are separable and independently assessable;
- customer relationships of a non-contractual nature: this category includes all intangible assets that, because they are separable and transferable separately from the acquired company, can be valued individually and recognised as intangible.

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

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

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

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

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

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

#### Determination of goodwill ("badwill" or negative goodwill)

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

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

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

If the residual amount resulting from the allocation of the purchase value is negative, so-called badwill, it is recognised as a benefit in the income statement under item 200 "Other operating expenses/income".

### A.3 DISCLOSURE OF TRANSFERS BETWEEN PORTFOLIOS OF FINANCIAL ASSETS

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

| Type of financial instrument | Portfolio of provenance | Portfolio of destination | Date of reclassification | Reclassified carrying amount | Interest income recorded in the year (pre-tax) |
|------------------------------|-------------------------|--------------------------|--------------------------|------------------------------|------------------------------------------------|
| Debt securities              | HTCS                    | HTC                      | 01.10.2018               | 53,834                       | 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 2,198 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

As already reported in previous years, following the Parent Company's change of business model at the end of the third quarter of 2018, the HTC portfolio is the portfolio with the most significant financial instrument position compared to the HTCS portfolio.

In 2020, the operating limits of the HTCS portfolio and the trading portfolio were updated in order to make their composition as close as possible to the management purposes of the business models in light of the developments in the financial market context in the meantime.

During 2023, the eligibility criteria for sales of financial assets managed with the HTC business model applied to the proprietary securities portfolio were reviewed. In this regard, an analysis was conducted to, among other things, review the approach adopted by the Parent Company against current best market practices.

Taking into account the update mentioned above, the management of debt securities classified in the HTC and HTCS portfolios continues in line with the choices made previously; therefore, no change in the business model occurred during the reference year that would have led to a reclassification of the portfolio.

## A.4 INFORMATION ON FAIR VALUE

### Qualitative information

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

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

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

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

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

### Fair value determined with level 1 inputs

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

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

The key elements are as follows:

- identification of the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability;
- whether the entity can enter into a transaction for the asset or liability at the price in that market at the measurement date.

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

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

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

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

- listed prices for similar assets or liabilities in active markets;
- listed prices for identical or similar assets or liabilities in inactive markets;
- data other than observable listed prices for the asset or liability, for example:
  - o interest rates and yield curves observable at commonly intervals;

- implied volatilities;
- credit spreads;
- input corroborated by the market.

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

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

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

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

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

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

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

- for loans, the fair value is calculated for positions performing beyond the short term using a measurement technique that provides for the discounting of expected cash flows considering, other than the free risk rate, the credit risk of the relationship (in terms of PD and LGD recorded in the internal rating models in use), while for non-performing and short-term performing positions, the carrying amount is considered a reasonable approximation of the fair value. In general, they are classified as Level 3, unless the significance of the observable inputs with respect to the entire valuation exceeds a pre-determined threshold (Level 2), or in the case of discontinued operations/transactions in progress at the reporting date (Level 1). Taking into account the current credit market context, with particular reference to non-performing loans, this fair value (Level 2 and 3), determined by taking into account multi-scenario assumptions involving the combination of internal management and the so-called "disposal scenario", might not represent the eventual exit price in view of a certain margin of uncertainty in any event inherent in the price formation components considered by a potential third-party purchaser;
- payables and certificates of deposit issued by Group banks are stated at their carrying amount, which is a reasonable approximation of fair value (Level 3);
- for bonds issued by Group banks, fair value is calculated using the discounted cash flow method, applying a credit spread (Level 2);
- tangible assets held for investment purposes: fair value is determined on the basis of an estimate made using a series of information sources relating to the real estate market and making the appropriate



adjustments/increases in relation to parameters such as location, size, age, intended use of the premises and extraordinary maintenance, as well as by comparison with the estimate made by independent external experts (Level 3).

#### **A.4.2 Valuation processes and sensitivities**

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

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

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

With reference to the financial instruments subject to fair value measurement on a recurring basis classified in Level 3, the sensitivity analysis is not provided due to their nature.

#### **A.4.3 Fair value hierarchy**

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

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

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

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

#### **A.4.4 Other information**

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

## Quantitative information

### A.4.5.1 Fair value hierarchy

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

| Financial assets/liabilities measured at fair value                           | 31.12.2023     |               |                | 31.12.2022     |                |               |
|-------------------------------------------------------------------------------|----------------|---------------|----------------|----------------|----------------|---------------|
|                                                                               | L1             | L2            | L3             | L1             | L2             | L3            |
| 1. Financial assets measured at fair value through profit or loss             | 35,235         | 1,573         | 122,467        | 24,850         | 21,411         | 93,559        |
| a) Financial assets held for trading                                          | 6,232          | 907           | 759            | 5,140          | 19,690         | 934           |
| b) Financial assets designated at fair value                                  | -              | -             | -              | -              | -              | -             |
| c) Other financial assets mandatorily measured at fair value                  | 29,003         | 666           | 121,708        | 19,710         | 1,721          | 92,625        |
| 2. Financial assets measured at fair value through other comprehensive income | 822,257        | 10,000        | 3,208          | 800,953        | 38,186         | 3,208         |
| 3. Hedging derivatives                                                        | -              | 21,431        | -              | -              | 59,099         | -             |
| 4. Tangible assets                                                            | -              | -             | -              | -              | -              | -             |
| 5. Intangible assets                                                          | -              | -             | -              | -              | -              | -             |
| <b>Total</b>                                                                  | <b>857,492</b> | <b>33,004</b> | <b>125,675</b> | <b>825,803</b> | <b>118,696</b> | <b>96,767</b> |
| 1. Financial liabilities held for trading                                     | -              | 1,062         | 688            | -              | 3,278          | 852           |
| 2. Financial liabilities designated at fair value                             | -              | -             | -              | -              | -              | -             |
| 3. Hedging derivatives                                                        | -              | 14,556        | -              | -              | -              | -             |
| <b>Total</b>                                                                  | <b>-</b>       | <b>15,618</b> | <b>688</b>     | <b>-</b>       | <b>3,278</b>   | <b>852</b>    |

#### 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 (12.4% at 31 December 2023 compared to 9.3% the previous year). These investments consist almost entirely of investments in UCITS mandatorily measured at fair value.

At 31 December 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 to mitigate credit risk (CSA agreements).

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

|                                  | Financial assets measured at fair value through profit or loss |                                                |                                                        |                                                                        | Financial assets measured at fair value through other comprehensive income | Hedging derivatives | Tangible assets | Intangible assets |
|----------------------------------|----------------------------------------------------------------|------------------------------------------------|--------------------------------------------------------|------------------------------------------------------------------------|----------------------------------------------------------------------------|---------------------|-----------------|-------------------|
|                                  | Total                                                          | of which: a) financial assets held for trading | of which: b) financial assets designated at fair value | of which: c) other financial assets mandatorily measured at fair value |                                                                            |                     |                 |                   |
| <b>1. Opening balance</b>        | <b>93,559</b>                                                  | <b>934</b>                                     | -                                                      | <b>92,625</b>                                                          | <b>3,208</b>                                                               | -                   | -               | -                 |
| <b>2. Increases</b>              | <b>43,427</b>                                                  | <b>746</b>                                     | -                                                      | <b>42,681</b>                                                          | -                                                                          | -                   | -               | -                 |
| 2.1. Purchases                   | 42,303                                                         | -                                              | -                                                      | 42,303                                                                 | -                                                                          | -                   | -               | -                 |
| 2.2. Profits recognised in:      | 1,124                                                          | 746                                            | -                                                      | 378                                                                    | -                                                                          | -                   | -               | -                 |
| 2.2.1. Income Statement          | 1,124                                                          | 746                                            | -                                                      | 378                                                                    | -                                                                          | -                   | -               | -                 |
| - of which gains                 | 1,109                                                          | 746                                            | -                                                      | 363                                                                    | -                                                                          | -                   | -               | -                 |
| 2.2.2. Equity                    | -                                                              | X                                              | X                                                      | -                                                                      | -                                                                          | -                   | -               | -                 |
| 2.3. Transfers from other levels | -                                                              | -                                              | -                                                      | -                                                                      | -                                                                          | -                   | -               | -                 |
| 2.4. Other increases             | -                                                              | -                                              | -                                                      | -                                                                      | -                                                                          | -                   | -               | -                 |
| <b>3. Decreases</b>              | <b>14,519</b>                                                  | <b>921</b>                                     | -                                                      | <b>13,598</b>                                                          | -                                                                          | -                   | -               | -                 |
| 3.1. Sales                       | -                                                              | -                                              | -                                                      | -                                                                      | -                                                                          | -                   | -               | -                 |
| 3.2. Reimbursements              | 83                                                             | -                                              | -                                                      | 83                                                                     | -                                                                          | -                   | -               | -                 |
| 3.3. Losses recognised in:       | 9,376                                                          | 921                                            | -                                                      | 8,455                                                                  | -                                                                          | -                   | -               | -                 |
| 3.3.1. Income Statement          | 9,376                                                          | 921                                            | -                                                      | 8,455                                                                  | -                                                                          | -                   | -               | -                 |
| - of which losses                | 9,376                                                          | 921                                            | -                                                      | 8,455                                                                  | -                                                                          | -                   | -               | -                 |
| 3.3.2. Equity                    | -                                                              | X                                              | X                                                      | -                                                                      | -                                                                          | -                   | -               | -                 |
| 3.4. Transfers from other levels | -                                                              | -                                              | -                                                      | -                                                                      | -                                                                          | -                   | -               | -                 |
| 3.5. Other decreases             | 5,060                                                          | -                                              | -                                                      | 5,060                                                                  | -                                                                          | -                   | -               | -                 |
| <b>4. Closing balance</b>        | <b>122,467</b>                                                 | <b>759</b>                                     | -                                                      | <b>121,708</b>                                                         | <b>3,208</b>                                                               | -                   | -               | -                 |

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

|                                  | Financial liabilities<br>held for trading | Financial<br>liabilities<br>designated at<br>fair value | Hedging<br>derivatives |
|----------------------------------|-------------------------------------------|---------------------------------------------------------|------------------------|
| <b>1. Opening balance</b>        | <b>852</b>                                | -                                                       | -                      |
| <b>2. Increases</b>              | <b>688</b>                                | -                                                       | -                      |
| 2.1 Issuances                    | -                                         | -                                                       | -                      |
| 2.2. Losses recognised in:       | 688                                       | -                                                       | -                      |
| 2.2.1. Income Statement          | 688                                       | -                                                       | -                      |
| - of which losses                | 688                                       | -                                                       | -                      |
| 2.2.2. Equity                    | X                                         | -                                                       | -                      |
| 2.3. Transfers from other levels | -                                         | -                                                       | -                      |
| 2.4. Other increases             | -                                         | -                                                       | -                      |
| <b>3. Decreases</b>              | <b>852</b>                                | -                                                       | -                      |
| 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             | -                                         | -                                                       | -                      |
| <b>4. Closing balance</b>        | <b>688</b>                                | -                                                       | -                      |

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

| Assets/Liabilities not measured at fair value or measured at fair value on a non-recurring basis | 31.12.2023        |                  |                  |                   | 31.12.2022        |                  |                  |                   |
|--------------------------------------------------------------------------------------------------|-------------------|------------------|------------------|-------------------|-------------------|------------------|------------------|-------------------|
|                                                                                                  | CA                | L1               | L2               | L3                | CA                | L1               | L2               | L3                |
| 1. Financial assets measured at amortised cost                                                   | 14,821,904        | 2,596,743        | 240,361          | 11,558,416        | 14,607,118        | 1,922,475        | 754,119          | 11,177,026        |
| 2. Tangible assets held for investment purposes                                                  | 2,790             | -                | -                | 4,434             | 1,805             | -                | -                | 2,867             |
| 3. Non-current assets and groups of assets held for sale                                         | -                 | -                | -                | -                 | 1                 | -                | -                | 1                 |
| <b>Total</b>                                                                                     | <b>14,824,694</b> | <b>2,596,743</b> | <b>240,361</b>   | <b>11,562,850</b> | <b>14,608,924</b> | <b>1,922,475</b> | <b>754,119</b>   | <b>11,179,894</b> |
| 1. Financial liabilities measured at amortised cost                                              | 16,784,443        | -                | 2,205,972        | 14,504,348        | 16,084,785        | -                | 1,493,586        | 14,553,211        |
| 2. Liabilities related to assets held for sale                                                   | -                 | -                | -                | -                 | 11                | -                | -                | 11                |
| <b>Total</b>                                                                                     | <b>16,784,443</b> | <b>-</b>         | <b>2,205,972</b> | <b>14,504,348</b> | <b>16,084,796</b> | <b>-</b>         | <b>1,493,586</b> | <b>14,553,222</b> |

**Key**

CA = Carrying amount

L1 = Level 1

L2 = Level 2

L3 = Level 3

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

IFRS9 - Financial Instruments requires that the initial recognition value of a financial instrument is equal to its fair value, which is usually the transaction price (i.e. the amount disbursed for financial assets and the amount received for financial liabilities). This statement is verified for transactions in instruments listed in an active market. If the market for such a financial instrument is not active, the fair value of the instrument must be determined using measurement techniques. If there is a difference (so-called "day one profit/loss") between the transaction price and the amount determined at initial recognition through the use of measurement techniques, and this difference is not immediately recognised in the income statement, it is necessary to provide the disclosures required by paragraph 28 of IFRS 7 indicating the accounting policies adopted to recognise the differences thus determined in the Income Statement, subsequent to the initial recognition of the instrument.

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

## PART B - INFORMATION ON THE BALANCE SHEET

### ASSETS

#### Section 1 - Cash and cash equivalents - Item 10

##### 1.1 Cash and cash equivalents: breakdown

|                                                            | 31.12.2023       | 31.12.2022     |
|------------------------------------------------------------|------------------|----------------|
| a) Cash                                                    | 83,369           | 55,362         |
| b) Current accounts and demand deposits with central banks | 1,521,338        | 765,043        |
| c) Current accounts and demand deposits with banks         | 49,990           | 59,009         |
| <b>Total</b>                                               | <b>1,654,697</b> | <b>879,414</b> |

The item includes the amount on demand for Euro 1,521 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.

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

### 2.1 Financial assets held for trading: breakdown by type

| Items/Values                         | 31.12.2023   |            |            | 31.12.2022   |               |            |
|--------------------------------------|--------------|------------|------------|--------------|---------------|------------|
|                                      | L1           | L2         | L3         | L1           | L2            | L3         |
| <b>A. On-balance sheet assets</b>    |              |            |            |              |               |            |
| 1. Debt securities                   | 1,819        | -          | -          | -            | 17,994        | -          |
| 1.1 Structured securities            | -            | -          | -          | -            | 876           | -          |
| 1.2 Other debt securities            | 1,819        | -          | -          | -            | 17,118        | -          |
| 2. Equity securities                 | 4,256        | -          | -          | 4,648        | -             | -          |
| 3. UCITS units                       | 128          | -          | -          | 482          | -             | -          |
| 4. Loans                             | -            | -          | -          | -            | -             | -          |
| 4.1 Repurchase agreements            | -            | -          | -          | -            | -             | -          |
| 4.2 Other                            | -            | -          | -          | -            | -             | -          |
| <b>Total (A)</b>                     | <b>6,203</b> | <b>-</b>   | <b>-</b>   | <b>5,130</b> | <b>17,994</b> | <b>-</b>   |
| <b>B. Derivative instruments</b>     |              |            |            |              |               |            |
| 1. Financial derivatives             | 29           | 907        | 759        | 10           | 1,696         | 934        |
| 1.1 for trading                      | 29           | 907        | 759        | 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                            | -            | -          | -          | -            | -             | -          |
| <b>Total (B)</b>                     | <b>29</b>    | <b>907</b> | <b>759</b> | <b>10</b>    | <b>1,696</b>  | <b>934</b> |
| <b>Total (A+B)</b>                   | <b>6,232</b> | <b>907</b> | <b>759</b> | <b>5,140</b> | <b>19,690</b> | <b>934</b> |

#### Key

L1= Level 1

L2= Level 2

L3= Level 3

Item 20 "Financial assets held for trading" comprises:

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

The change in item "A. On-balance-sheet assets" results from the ordinary turnover on the trading portfolio. 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 Section "A.4 Information on fair value" of Part A "Accounting Policies" of the Notes to the Financial Statements above.

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

## 2.2 Financial assets held for trading: breakdown by debtor/issuer/counterparty

| Items/Values                      | 31.12.2023   | 31.12.2022    |
|-----------------------------------|--------------|---------------|
| <b>A. On-balance sheet assets</b> |              |               |
| <b>1. Debt securities</b>         | <b>1,819</b> | <b>17,994</b> |
| a) Central banks                  | -            | -             |
| b) Public administrations         | -            | -             |
| c) Banks                          | 1,819        | 13,372        |
| d) Other financial companies      | -            | -             |
| of which: insurance companies     | -            | -             |
| e) Non-financial companies        | -            | 4,622         |
| <b>2. Equity securities</b>       | <b>4,256</b> | <b>4,648</b>  |
| a) Banks                          | -            | 686           |
| b) Other financial companies      | 297          | 746           |
| of which: insurance companies     | -            | -             |
| c) Non-financial companies        | 3,959        | 3,216         |
| d) Other issuers                  | -            | -             |
| <b>3. UCITS units</b>             | <b>128</b>   | <b>482</b>    |
| <b>4. Loans</b>                   | <b>-</b>     | <b>-</b>      |
| a) Central banks                  | -            | -             |
| b) Public administrations         | -            | -             |
| c) Banks                          | -            | -             |
| d) Other financial companies      | -            | -             |
| of which: insurance companies     | -            | -             |
| e) Non-financial companies        | -            | -             |
| f) Households                     | -            | -             |
| <b>Total (A)</b>                  | <b>6,203</b> | <b>23,124</b> |
| <b>B. DERIVATIVE INSTRUMENTS</b>  | <b>-</b>     | <b>-</b>      |
| a) Central counterparties         | 682          | -             |
| b) Other                          | 1,013        | 2,640         |
| <b>Total (B)</b>                  | <b>1,695</b> | <b>2,640</b>  |
| <b>Total (A+B)</b>                | <b>7,898</b> | <b>25,764</b> |



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

| Items/Values                | 31.12.2023    |            |                | 31.12.2022    |              |               |
|-----------------------------|---------------|------------|----------------|---------------|--------------|---------------|
|                             | L1            | L2         | L3             | L1            | L2           | L3            |
| <b>1. Debt securities</b>   | -             | 32         | -              | -             | 665          | -             |
| 1.1 Structured securities   | -             | -          | -              | -             | -            | -             |
| 1.2 Other debt securities   | -             | 32         | -              | -             | 665          | -             |
| <b>2. Equity securities</b> | -             | 634        | -              | -             | 1,056        | -             |
| <b>3. UCITS units</b>       | 29,003        | -          | 121,708        | 19,710        | -            | 92,625        |
| <b>4. Loans</b>             | -             | -          | -              | -             | -            | -             |
| 4.1 Repurchase agreements   | -             | -          | -              | -             | -            | -             |
| 4.2 Other                   | -             | -          | -              | -             | -            | -             |
| <b>Total</b>                | <b>29,003</b> | <b>666</b> | <b>121,708</b> | <b>19,710</b> | <b>1,721</b> | <b>92,625</b> |

### 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.

During 2023, sales of receivables for a nominal value of Euro 44,186 thousand were completed with subscription of Closed-end Fund units for Euro 29,734 thousand, valued in accordance with the Group's fair value policies.

It is also noted that item “3. UCITS units” includes at the reference date units for Euro 13,693 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.

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

|                                     | 31.12.2023     | 31.12.2022     |
|-------------------------------------|----------------|----------------|
| <b>1. Equity securities</b>         | <b>634</b>     | <b>1,056</b>   |
| of which: banks                     | -              | -              |
| of which: other financial companies | 634            | 1,056          |
| of which: non-financial companies   | -              | -              |
| <b>2. Debt securities</b>           | <b>32</b>      | <b>665</b>     |
| a) Central banks                    | -              | -              |
| b) Public administrations           | -              | -              |
| c) Banks                            | -              | -              |
| d) Other financial companies        | 32             | 665            |
| of which: insurance companies       | -              | -              |
| e) Non-financial companies          | -              | -              |
| <b>3. UCITS units</b>               | <b>150,711</b> | <b>112,335</b> |
| <b>4. Loans</b>                     | <b>-</b>       | <b>-</b>       |
| a) Central banks                    | -              | -              |
| b) Public administrations           | -              | -              |
| c) Banks                            | -              | -              |
| d) Other financial companies        | -              | -              |
| of which: insurance companies       | -              | -              |
| e) Non-financial companies          | -              | -              |
| f) Households                       | -              | -              |
| <b>Total</b>                        | <b>151,377</b> | <b>114,056</b> |

The amount of the item "Equity securities" equal to Euro 634 thousand refers to the equity investment in Yolo Group, which is further disclosed in section 7 - Investments.

## Section 3 - Financial assets measured at fair value through other comprehensive income - Item 30

### 3.1 Financial assets measured at fair value through other comprehensive income: breakdown by type

| Items/Values                | 31.12.2023     |               |              | 31.12.2022     |               |              |
|-----------------------------|----------------|---------------|--------------|----------------|---------------|--------------|
|                             | L1             | L2            | L3           | L1             | L2            | L3           |
| <b>1. Debt securities</b>   | <b>822,257</b> | -             | -            | <b>799,659</b> | <b>28,186</b> | -            |
| 1.1 Structured securities   | -              | -             | -            | -              | -             | -            |
| 1.2 Other debt securities   | 822,257        | -             | -            | 799,659        | 28,186        | -            |
| <b>2. Equity securities</b> | -              | <b>10,000</b> | <b>3,208</b> | <b>1,294</b>   | <b>10,000</b> | <b>3,208</b> |
| <b>3. Loans</b>             | -              | -             | -            | -              | -             | -            |
| <b>Total</b>                | <b>822,257</b> | <b>10,000</b> | <b>3,208</b> | <b>800,953</b> | <b>38,186</b> | <b>3,208</b> |

#### Key

L1= Level 1

L2= Level 2

L3= Level 3

The item "Financial assets measured at fair value through other comprehensive income" include:

- the bond portfolio not held for trading purposes and not held with the exclusive intention of collecting contractual cash flows;
- shares in non-subsidiaries and non-associates for which there was adoption of the so-called "FVOCI option".

### 3.2 Financial assets measured at fair value through other comprehensive income: breakdown by debtor/issuer

| Items/Values                  | 31.12.2023     | 31.12.2022     |
|-------------------------------|----------------|----------------|
| <b>1. Debt securities</b>     | <b>822,257</b> | <b>827,845</b> |
| a) Central banks              | -              | -              |
| b) Public administrations     | 783,372        | 798,840        |
| c) Banks                      | 38,098         | 28,239         |
| d) Other financial companies  | -              | -              |
| of which: insurance companies | -              | -              |
| e) Non-financial companies    | 787            | 766            |
| <b>2. Equity securities</b>   | <b>13,208</b>  | <b>14,502</b>  |
| a) Banks                      | 10,000         | 10,000         |
| b) Other issuers:             | 3,208          | 4,502          |
| - other financial companies   | 2,224          | 3,406          |
| of which: insurance companies | -              | -              |
| - non-financial companies     | 984            | 1,096          |
| - other                       | -              | -              |
| <b>3. Loans</b>               | -              | -              |
| a) Central banks              | -              | -              |
| b) Public administrations     | -              | -              |
| c) Banks                      | -              | -              |
| d) Other financial companies  | -              | -              |
| of which: insurance companies | -              | -              |
| e) Non-financial companies    | -              | -              |
| f) Households                 | -              | -              |
| <b>Total</b>                  | <b>835,465</b> | <b>842,347</b> |

### 3.3 Financial assets measured at fair value through other comprehensive income: 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 |                   | 822,589        | 822,589                                    | -            | -           | -                                | 332                     | -            | -           | -                                | -                        |
| Loans           |                   | -              | -                                          | -            | -           | -                                | -                       | -            | -           | -                                | -                        |
| <b>Total</b>    | <b>31.12.2023</b> | <b>822,589</b> | <b>822,589</b>                             | <b>-</b>     | <b>-</b>    | <b>-</b>                         | <b>332</b>              | <b>-</b>     | <b>-</b>    | <b>-</b>                         | <b>-</b>                 |
| <b>Total</b>    | <b>31.12.2022</b> | <b>828,168</b> | <b>828,168</b>                             | <b>-</b>     | <b>-</b>    | <b>-</b>                         | <b>323</b>              | <b>-</b>     | <b>-</b>    | <b>-</b>                         | <b>-</b>                 |

## Section 4 - Financial assets measured at amortised cost - Item 40

### 4.1 Financial assets measured at amortised cost: composition by type of loans with banks

| Type of transactions/Values        | 31.12.2023             |             |                                  |                |               |                | 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             |
| <b>A. Loans with Central Banks</b> | <b>58,568</b>          | -           | -                                | -              | -             | <b>58,568</b>  | <b>83,020</b>          | -           | -                                | -          | -              | <b>83,020</b>  |
| 1. Fixed-term deposits             | -                      | -           | -                                | X              | X             | X              | -                      | -           | -                                | X          | X              | X              |
| 2. Compulsory reserve              | 58,568                 | -           | -                                | 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>B. Loans with banks</b>         | <b>743,656</b>         | -           | -                                | <b>555,800</b> | <b>10,593</b> | <b>175,861</b> | <b>505,675</b>         | -           | -                                | -          | <b>403,013</b> | <b>76,545</b>  |
| 1. Loans                           | 174,061                | -           | -                                | -              | -             | 174,061        | 74,745                 | -           | -                                | -          | -              | 74,745         |
| 1.1 Current accounts               | -                      | -           | -                                | X              | X             | X              | -                      | -           | -                                | X          | X              | X              |
| 1.2. Fixed-term deposits           | 26,521                 | -           | -                                | X              | X             | X              | 9,390                  | -           | -                                | X          | X              | X              |
| 1.3. Other loans:                  | 147,540                | -           | -                                | X              | X             | X              | 65,355                 | -           | -                                | X          | X              | X              |
| - Reverse repurchase agreements    | -                      | -           | -                                | X              | X             | X              | -                      | -           | -                                | X          | X              | X              |
| - Loans for leases                 | -                      | -           | -                                | X              | X             | X              | -                      | -           | -                                | X          | X              | X              |
| - Other                            | 147,540                | -           | -                                | X              | X             | X              | 65,355                 | -           | -                                | X          | X              | X              |
| 2. Debt securities                 | 569,595                | -           | -                                | 555,800        | 10,593        | 1,800          | 430,930                | -           | -                                | -          | 403,013        | 1,800          |
| 2.1 Structured securities          | 3,741                  | -           | -                                | 3,582          | -             | -              | 5,709                  | -           | -                                | -          | 5,223          | -              |
| 2.2 Other debt securities          | 565,854                | -           | -                                | 552,218        | 10,593        | 1,800          | 425,221                | -           | -                                | -          | 397,790        | 1,800          |
| <b>Total</b>                       | <b>802,224</b>         | -           | -                                | <b>555,800</b> | <b>10,593</b> | <b>234,429</b> | <b>588,695</b>         | -           | -                                | -          | <b>403,013</b> | <b>159,565</b> |

#### 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 109.2 million at 31 December 2023 (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 1,521 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/V alues                              | 31.12.2023             |                |                                    |                  |                |                   | 31.12.2022             |                |                                  |                  |                |                   |
|-----------------------------------------------------------|------------------------|----------------|------------------------------------|------------------|----------------|-------------------|------------------------|----------------|----------------------------------|------------------|----------------|-------------------|
|                                                           | Carrying amount        |                |                                    | Fair value       |                |                   | Carrying amount        |                |                                  | Fair value       |                |                   |
|                                                           | First and second stage | Third stage    | Purchase d or originate d impaired | L1               | L2             | L3                | First and second stage | Third stage    | Purchased or originated impaired | L1               | L2             | L3                |
| <b>1. Loans</b>                                           | <b>11,452,104</b>      | <b>178,204</b> | <b>17,784</b>                      | -                | -              | <b>11,323,987</b> | <b>11,277,374</b>      | <b>187,370</b> | <b>7,464</b>                     | -                | -              | <b>10,931,746</b> |
| 1.1. Current accounts                                     | 2,063,715              | 15,602         | 1,333                              | X                | X              | X                 | 1,976,880              | 15,360         | 95                               | X                | X              | X                 |
| 1.2. Reverse repurchase agreements                        | -                      | -              | -                                  | X                | X              | X                 | 30,022                 | -              | -                                | X                | X              | X                 |
| 1.3. Mortgages                                            | 7,982,462              | 148,242        | 16,311                             | X                | X              | X                 | 7,899,701              | 163,627        | 7,240                            | X                | X              | X                 |
| 1.4. Credit cards, personal loans and salary-backed loans | 241,113                | 1,640          | 1                                  | X                | X              | X                 | 142,440                | 865            | 5                                | X                | X              | X                 |
| 1.5 Loans for leases                                      | 149,843                | 4,563          | 3                                  | X                | X              | X                 | 146,292                | 4,735          | -                                | X                | X              | X                 |
| 1.6. Factoring                                            | 92,218                 | 3,122          | -                                  | X                | X              | X                 | 93,614                 | 180            | -                                | X                | X              | X                 |
| 1.7. Other loans                                          | 922,753                | 5,035          | 136                                | X                | X              | X                 | 988,425                | 2,603          | 124                              | X                | X              | X                 |
| <b>2. Debt securities</b>                                 | <b>2,371,588</b>       | -              | -                                  | <b>2,040,943</b> | <b>229,768</b> | -                 | <b>2,546,215</b>       | -              | -                                | <b>1,922,475</b> | <b>351,106</b> | <b>85,715</b>     |
| 1. Structured securities                                  | 1,982                  | -              | -                                  | -                | 2,016          | -                 | 1,972                  | -              | -                                | -                | 2,012          | -                 |
| 2. Other debt securities                                  | 2,369,606              | -              | -                                  | 2,040,943        | 227,752        | -                 | 2,544,243              | -              | -                                | 1,922,475        | 349,094        | 85,715            |
| <b>Total</b>                                              | <b>13,823,692</b>      | <b>178,204</b> | <b>17,784</b>                      | <b>2,040,943</b> | <b>229,768</b> | <b>11,323,987</b> | <b>13,823,589</b>      | <b>187,370</b> | <b>7,464</b>                     | <b>1,922,475</b> | <b>351,106</b> | <b>11,017,461</b> |

#### Key

L1= Level 1

L2= Level 2

L3= Level 3

The balance at 31 December 2023 of loans to customers, compared to the comparative period, is affected by the inclusion in the portfolio of the positions acquired following the acquisition of the two business units from the BPER Group in the Lanternina Transaction.

Gross loans totalled Euro 11,942,120 thousand (formerly Euro 11,764,818 thousand at the end of last year), of which Euro 11,566,272 thousand (formerly Euro 11,380,226 thousand) related to performing loans and Euro 375,848 thousand (formerly Euro 384,592 thousand) to non-performing loans.

Total value adjustments related to the same loans amounted to Euro 294,027 thousand (formerly Euro 292,610 thousand), of which Euro 183,217 thousand (formerly Euro 193,005 thousand) related to non-performing loans and Euro 110,810 thousand (formerly Euro 99,605 thousand) to performing loans.

As regards credit evaluation processes, please refer to the section "Risks, uncertainties and impacts deriving from war conflicts, the residual effects of the Covid-19 epidemic, climate risk and the macroeconomic context" in Section 4 - Other aspects of Part A of the Notes.

The table also includes the amounts of transferred receivables that were not written off and constituted eligible assets for the Guaranteed Bank Bonds (G-Bonds) issue programme; at 31 December 2023, these receivables amounted to Euro 1,979,936 thousand (Euro 1,663,082 thousand at 31 December 2022).

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 2,443,984 thousand (Euro 2,964,359 thousand at 31 December 2022); there are also mortgages for Euro 236,882 thousand for collateralisation of the loan granted by Cassa Depositi e Prestiti for Euro 215,000.

On the other hand, the sub-item "Other loans" includes financing transactions other than those indicated in the previous sub-items (e.g. bullet loans, advances on invoices and bills subject to collection, import/export advances and other miscellaneous items).

Receivables from companies belonging to the Banco Desio Group amounted to Euro 1,195,235 thousand, all referring to the subsidiary Fides S.p.A.

This item also includes interest counted at 31 December 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 "purchased or originated impaired" includes those financing lines originated both as part of "forbearances" made on non-performing loans and as a result of loans acquired following the Lanternina transaction.

The fair value of loans is calculated for performing positions over the short term using a measurement technique that involves discounting expected cash flows considering the credit risk of the relationship, while for non-performing and short-term performing positions the carrying amount is considered a reasonable approximation of fair value. Taking into account the current credit market context, with particular reference to non-performing loans, this fair value, determined by taking into account multi-scenario assumptions involving the combination of internal management and the so-called "disposal scenario", might not represent the eventual exit price in view of a certain margin of uncertainty in any event inherent in the price formation components considered by a potential third-party purchaser.

Item "2. Debt securities" includes securities held under the "held to collect" business model, i.e. held with the intention of collecting contractual cash flows. The value of debt securities is shown net of value adjustments resulting from the application of the new models to determine the expected loss on the "held-to-collect" debt securities portfolio in application of accounting standard "IFRS9 - Financial Instruments".

Included in this portfolio are Euro 117,825 thousand of senior securities issued by the securitisation vehicle "2Worlds s.r.l." following the sale of bad loans through recourse to the "GACS" scheme in 2018.

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

| Type of transactions/Values   | 31.12.2023             |                |                                         | 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 |
| <b>1. Debt securities</b>     | <b>2,371,588</b>       | -              | -                                       | <b>2,546,215</b>       | -              | -                                       |
| a) Public administrations     | 1,971,293              | -              | -                                       | 2,084,411              | -              | -                                       |
| b) Other financial companies  | 339,055                | -              | -                                       | 398,569                | -              | -                                       |
| of which: insurance companies | -                      | -              | -                                       | -                      | -              | -                                       |
| c) Non-financial companies    | 61,240                 | -              | -                                       | 63,235                 | -              | -                                       |
| <b>2. Loans to:</b>           | <b>11,452,104</b>      | <b>178,204</b> | <b>17,784</b>                           | <b>11,277,374</b>      | <b>187,370</b> | <b>7,464</b>                            |
| a) Public administrations     | 301,072                | 438            | 229                                     | 184,519                | 251            | 18                                      |
| b) Other financial companies  | 1,396,512              | 51             | 22                                      | 1,279,813              | 1,091          | -                                       |
| of which: insurance companies | 7,269                  | -              | -                                       | 5,157                  | -              | -                                       |
| c) Non-financial companies    | 5,403,201              | 127,789        | 7,818                                   | 5,938,939              | 116,082        | 3,111                                   |
| d) Households                 | 4,351,319              | 49,926         | 9,715                                   | 3,874,103              | 69,946         | 4,335                                   |
| <b>Total</b>                  | <b>13,823,692</b>      | <b>178,204</b> | <b>17,784</b>                           | <b>13,823,589</b>      | <b>187,370</b> | <b>7,464</b>                            |

#### 4.4 Financial assets measured at amortised cost: 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         | 2,831,504         | 2,831,504                                  | 120,284          | -              | -                                | 8,146                   | 2,459         | -              | -                                | -                        |
| Loans                   | 9,736,673         | 59,053                                     | 2,059,035        | 357,675        | 21,660                           | 14,737                  | 96,236        | 179,472        | 3,877                            | 18,708                   |
| <b>Total 31.12.2023</b> | <b>12,568,177</b> | <b>2,890,557</b>                           | <b>2,179,319</b> | <b>357,675</b> | <b>21,660</b>                    | <b>22,883</b>           | <b>98,695</b> | <b>179,472</b> | <b>3,877</b>                     | <b>18,708</b>            |
| <b>Total 31.12.2022</b> | <b>12,384,594</b> | <b>3,042,850</b>                           | <b>2,133,581</b> | <b>377,868</b> | <b>10,070</b>                    | <b>19,717</b>           | <b>86,175</b> | <b>190,497</b> | <b>2,606</b>                     | <b>1,882</b>             |

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:

- stage 1 for exposures with performance in line with expectations;
- 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);
- 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.

#### 4.4a New loans granted through public guarantee mechanisms issued against the COVID-19 context

|                                                       | Gross amount     |                |               |                                  | Total value adjustments |              |               |                                  |
|-------------------------------------------------------|------------------|----------------|---------------|----------------------------------|-------------------------|--------------|---------------|----------------------------------|
|                                                       | First stage      | Second stage   | Third stage   | Purchased or originated impaired | First stage             | Second stage | Third stage   | Purchased or originated impaired |
| New loans granted through public guarantee mechanisms | 1,324,805        | 401,952        | 81,108        | 2,012                            | 1,598                   | 5,256        | 20,705        | 275                              |
| <b>Total 31.12.2023</b>                               | <b>1,324,805</b> | <b>401,952</b> | <b>81,108</b> | <b>2,012</b>                     | <b>1,598</b>            | <b>5,256</b> | <b>20,705</b> | <b>275</b>                       |

## Section 5 - Hedging derivatives - Item 50

### 5.1 Hedging derivatives: breakdown by hedge type and level

|                                 | 31.12.2023 |               |    |                | 31.12.2022 |               |    |                |
|---------------------------------|------------|---------------|----|----------------|------------|---------------|----|----------------|
|                                 | FV         |               |    | NV             | FV         |               |    | NV             |
|                                 | L1         | L2            | L3 |                | L1         | L2            | L3 |                |
| <b>A. Financial derivatives</b> |            | <b>21,431</b> |    | <b>445,000</b> |            | <b>59,099</b> |    | <b>855,000</b> |
| 1) Fair value                   | -          | 21,431        | -  | 445,000        | -          | 59,099        | -  | 855,000        |
| 2) Cash Flows                   | -          | -             | -  | -              | -          | -             | -  | -              |
| 3) Foreign investments          | -          | -             | -  | -              | -          | -             | -  | -              |
| <b>B. Credit derivatives</b>    | -          |               |    |                | -          |               |    |                |
| 1) Fair value                   | -          | -             | -  | -              | -          | -             | -  | -              |
| 2) Cash Flows                   | -          | -             | -  | -              | -          | -             | -  | -              |
| <b>Total</b>                    | -          | <b>21,431</b> | -  | <b>445,000</b> | -          | <b>59,099</b> | -  | <b>855,000</b> |

#### 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 the derivative financial instruments put in place to hedge the interest rate risk of fixed-rate debt securities classified in the held-to-collect portfolio (micro fair value hedge type coverage);
- 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, in 2023, the Bank joined the Clearing service for OTC interest rate derivatives by identifying the central counterparty (Eurex Clearing) for clearing derivative transactions.

## 5.2 Hedging derivatives: breakdown by hedged portfolio and type of hedge (carrying amount)

| Transactions/Type of hedge                                                    | Fair Value         |                    |             |            |                | Cash flows |       |       | Foreign investments |
|-------------------------------------------------------------------------------|--------------------|--------------------|-------------|------------|----------------|------------|-------|-------|---------------------|
|                                                                               | Micro              |                    |             |            |                | Macro      | Micro | Macro |                     |
|                                                                               | interest rate risk | exchange rate risk | credit risk | price risk | multiple risks |            |       |       |                     |
| 1. Financial assets measured at fair value through other comprehensive income | -                  | -                  | -           | -          | -              | X          | -     | X     | X                   |
| 2. Financial assets measured at amortised cost                                | 21,431             | -                  | -           | X          | -              | X          | -     | X     | X                   |
| 3. Portfolio                                                                  | X                  | X                  | X           | X          | X              | -          | X     | -     | X                   |
| 4. Other transactions                                                         | -                  | -                  | -           | -          | -              | X          | -     | X     | -                   |
| <b>Total assets</b>                                                           | 21,431             | -                  | -           | -          | -              | -          | -     | -     | -                   |
| Financial liabilities                                                         | -                  | -                  | -           | X          | -              | X          | -     | X     | X                   |
| Portfolio                                                                     | X                  | X                  | X           | X          | X              | -          | X     | -     | X                   |
| <b>Total liabilities</b>                                                      | -                  | -                  | -           | -          | -              | -          | -     | -     | X                   |
| 1. Expected transactions                                                      | X                  | X                  | X           | X          | X              | X          | -     | X     | X                   |
| 2. Portfolio of financial assets and liabilities                              | X                  | X                  | X           | X          | X              | -          | X     | -     | -                   |

## Section 6 - Value adjustments of financial assets with macro hedge - Item 60

### 6.1 Value adjustment of hedged assets: breakdown by hedged portfolio

| Value adjustment of hedged assets/Values                                      | 31.12.2023      | 31.12.2022      |
|-------------------------------------------------------------------------------|-----------------|-----------------|
| <b>1. Positive adjustment</b>                                                 | <b>7,883</b>    | <b>380</b>      |
| 1.1 of specific portfolios:                                                   | 7,883           | 380             |
| a) financial assets measured at amortised cost                                | 7,883           | 380             |
| b) financial assets measured at fair value through other comprehensive income | -               | -               |
| 1.2 total                                                                     | -               | -               |
| <b>2. Negative adjustment</b>                                                 | <b>(11,956)</b> | <b>(19,973)</b> |
| 2.1 of specific portfolios:                                                   | (11,956)        | (19,973)        |
| a) financial assets measured at amortised cost                                | (11,956)        | (19,973)        |
| b) financial assets measured at fair value through other comprehensive income | -               | -               |
| 2.2 total                                                                     | -               | -               |
| <b>Total</b>                                                                  | <b>(4,073)</b>  | <b>(19,593)</b> |

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 Macro Fair Value Hedge relationships.

The item also includes the differentials still to be amortised on the loan portfolios already discontinued in the amount of Euro 11 million.

## Section 7 - Investments - Item 70

### 7.1 Investments: information on shareholdings

| Company names                                        | Registered office | Operational office | Investment % | Availability of votes % |
|------------------------------------------------------|-------------------|--------------------|--------------|-------------------------|
| <b>A. Exclusively controlled companies</b>           |                   |                    |              |                         |
| Fides S.p.A.                                         | Rome              | Rome               | 100.000      | 100.000                 |
| Desio OBG S.r.l                                      | Conegliano        | Conegliano         | 60.000       | 60.000                  |
| <b>C. Companies subject to significant influence</b> |                   |                    |              |                         |
| Anthilia Capital Partners SGR S.p.A.                 | Milan             | Milan              | 15.000       | 15.000                  |

### 7.2 Significant investments: carrying amount, fair value and dividends received

The information referred to in this item is not required to be provided in these Financial Statements by banks that prepare consolidated financial statements pursuant to Bank of Italy Circular 262. Therefore, please refer to the same section of the Consolidated Financial Statements of the Banco Desio Group.

### 7.3 Significant investments: accounting information

The information referred to in this item is not required to be provided in these Financial Statements by banks that prepare consolidated financial statements pursuant to Bank of Italy Circular 262. Therefore, please refer to the same section of the Consolidated Financial Statements of the Banco Desio Group.

#### The impairment test on investments

In accordance with the provisions of IAS 36 and taking into account the indications referred to in the joint Bank of Italy/Consob/Isvap document of 3 March 2010, the information on the impairment test carried out on investments is reported below.

The purpose of impairment testing is to ascertain that the carrying amount of each investment does not exceed its recoverable amount, i.e. the benefit that can be derived from it, either through future use (value in use) or by its disposal (fair value less cost to sell), whichever is higher.

As illustrated in the paragraph "Risks, uncertainties and impacts arising from war conflicts, residual effects of the Covid-19 epidemic, climate risk and the macroeconomic context" in the previous "Section 4 - Other aspects" contained in "A.1 General Part" of "Part A - Accounting Policies" of these Notes (to which reference should be made), for the preparation of these financial statements, impairment tests were performed on goodwill and investments, taking into account the economic and financial forecasts of the 2024-2026 Business Plan "Beyond 26" of the 2023-2025 Activity Plan for Anthilia SGR) extended to 2028 through an inertial transfer, on the basis of growth rates substantially in line with those of the previous period, therefore without considering the effect of new managerial leverage and assuming growth rates of assets in line with the most recent forecasts of future performance.

In particular, pursuant to the aforementioned IAS 36 and in application of the Policy for impairment of intangible assets with indefinite useful life (goodwill) and investments, the recoverable value of investments was determined, where no fair value was available from transactions concerning the target subject to impairment or from market transactions concerning similar targets, by reference to value in use. For the determination of value in use, IAS 36 provides for the possibility of using the financial method known in doctrine as Discounted Cash Flow. This model identifies the value in use of a CGU or a company by

estimating the future (operating) cash flows generated by it, discounted at an appropriate rate, according to the explicit time frame in which they are assumed to be achieved.

In operational practice, the Free Cash Flow to Equity (FCFE), known in the Anglo-Saxon world as the Dividend Discount Model (DDM) in its Excess Capital version, is used in the case of credit or financial companies. This methodology determines the value of a company on the basis of the future cash flows it will be able to distribute to its shareholders, without affecting the assets necessary to sustain the expected development and in compliance with the capital regulations imposed by the Supervisory Authority, discounted at a rate expressing the specific risk of capital. It should be noted, however, that although the expression Dividend Discount Model refers to the word dividend, the cash flows considered by the model are not the dividends that are expected to be distributed to shareholders, but the cash flows that a shareholder could potentially benefit from within the limits of the capital endowments required by the company's operations.

The impairment test was consequently performed on the subsidiary Fides S.p.A. and on the associate Anthilia Capital Partners SGR S.p.A. on the basis of the criteria and assumptions illustrated below.

a) Criterion for estimating recoverable amount (Impairment)

For the criterion of estimating the recoverable amount of the investment, reference is made to the so-called value in use (equity value for banks and financial intermediaries).

"Explicit" time frame for determining future cash flows

The timeframe attributable to the 2024-2026 Business Plan "Beyond 26" for Fides and the 2023-2025 Activity Plan for Anthilia Capital Partners SGR, is considered, as well as the further development of these plans, ensured by the Management of Banco Desio and approved by the Board of Directors on 8 February 2024, with prudent projections of future results up to and including an explicit forecast period of 5 years, in order to reduce the distortions attributable to the use of the Business Plan time horizon only, which may be strongly conditioned by a systemic situation that remains complex due to the uncertain forecasts of the macroeconomic scenario and of the sector due to the effects of the conflict in Ukraine and the pandemic crisis, or in any case attributable to extraordinary events with respect to which it is appropriate to normalise results in order to more correctly focus on the effective medium/long-term potential of the entity being tested.

Cash flows

In the valuation of banks and financial intermediaries, the "equity side" approach, within the DDM methodology, is used to determine the equity value because, given the characteristic activity of fund intermediation (funding/lending), it is particularly complex to make a distinction between financial debt and operating debt; moreover, in the Excess Capital version, the cash flows available to shareholders are the cash flows that a shareholder could potentially benefit from within the limits of the capital endowments required by the company's operations, thus taking due account of the absorption of regulatory capital.

Discount rate

In the valuation of banks and financial intermediaries, reference is made to the so-called cost of equity ( $K_e$ ).

Growth rate of flows beyond the "explicit" time frame for determining future cash flows

A long-term growth rate in line with expectations of the long-term inflation rate is considered.

Terminal Value

It is determined through the application of the formula related to the canonical formula of the

“perpetual annuity”.

The equity value of the Investment, determined, at the date of recognition, according to the procedure outlined above, is then compared with the carrying amount of the specific Investment, with the sole objective of verifying any impairment.

b) Evaluation parameters used and test determinations

Below are the main assumptions used for impairment tests.

| Legal entity                                     | Model | Database                                       | CAGR RWA | Ke     | g     | Plan flows  | Capital ratios          |
|--------------------------------------------------|-------|------------------------------------------------|----------|--------|-------|-------------|-------------------------|
| Fides S.p.A. (subsidiary)                        | DDM   | 2024-26 Business Plan extended to 2028 (*)     | 2.6%     | 11.92% | 2.03% | Net Results | Tier1<br>6.00% (**)     |
| Anthilia Capital Partners SGR S.p.A. (associate) | DDM   | 2023-2025 Activity Plan extended to 2028 (***) | 0.9%     | 11.92% | 2.03% | Net Results | Tier 1<br>10.37% (****) |

(\*) 5-year forecasts, approved by the Board of Directors on 8 February 2024, which were developed by the management taking into account the 2024-26 Business Plan, the 2024 budget, the 2023 final results as well as the most recent market forecasts available

(\*\*) 5-year forecasts that have been developed by Banco Desio management taking into account the 2023-2025 Business Plan approved by the AMC Board of Directors on 24 March 2023, the final 2023 results as well as the most recent market forecasts available

(\*\*\*) Target allocated capital on Fides estimated (CET1 average 5Y) also in order to oversee consistency with compliance with the minimum (current) CET1 levels at CRR Group level

(\*\*\*\*) Target allocated capital on Anthilia Capital Partners SGR estimated considering the “Other risks” requirement

The impairment test performed did not reveal the need to proceed with any write-downs for the aforementioned investment.

It is emphasised that the parameters and information considered in the development of the impairment test are influenced by the economic situation and the financial markets and may be subject to changes/variations, not foreseeable at present, with consequent effects on the main assumptions considered and therefore, potentially, also on the results that in future years may be different from those shown in these financial statements.

c) Sensitivity analysis

Since the impairment assessment is rendered particularly complex by the current macroeconomic and market context and the consequent difficulty in formulating forecasts of future long-term profitability, an additional “stress test” is conducted to support the test performed, assuming a change in the main parameters used in the impairment test procedure.

The table below summarises the percentage deviations or percentage points of the basic assumptions necessary to make the recoverable amount of investments equal to their carrying amount.

| Investments                                      | Decrease in % of Future Net Results (NR) | Increase in bps of the discount rate of future cash flows (FCFE) |
|--------------------------------------------------|------------------------------------------|------------------------------------------------------------------|
| Fides S.p.A. (subsidiary)                        | 56.91%                                   | Over 7,000                                                       |
| Anthilia Capital Partners SGR S.p.A. (associate) | 23.23%                                   | 275                                                              |

In conducting the impairment test, the effects of climate change were not explicitly considered, as a direct impact on this valuation was found to be irrelevant<sup>27</sup>. As also highlighted in Part E of these Notes

<sup>27</sup> Even ESMA in its public statement on “European common enforcement priorities for 2022 annual financial reports” points out that sensitivity to climate risk should be considered specifically, assessing the characteristics of the company, the sector in which it operates, the reference market and other internal and external variables. ESMA itself considers the case of “industries that are highly energy dependent on fossil fuels”, whose “long-term or terminal growth rates used in cash flow projections beyond the period covered by the budget forecast are stable, declining or even negative”. Another example that ESMA gives

and in the Report on Operations, in the case of the banking business, the effects of climate change are mainly indirect and not always recognisable as negative on the overall business. In fact, the Business Plan "Beyond 26" qualifies the environmental transition of its customers as a strategic growth lever for the Group; among the enabling factors of the so-called "ESG infusion" there is the development of green financing (with a process of verification of alignment with EU Taxonomy), of direct funding through progressive issues of green-social-sustainable bonds (the framework for which is currently being defined), of the range of sustainable investment products offered as part of asset management and advanced advisory services, and thus, the distribution of sustainable non-life and life insurance products.

#### 7.4 Non-significant investments: accounting information

The information referred to in this item is not required to be provided in these Financial Statements by banks that prepare consolidated financial statements pursuant to Bank of Italy Circular 262. Therefore, please refer to the same section of the Consolidated Financial Statements of the Banco Desio Group.

#### 7.5 Investments: changes in the year

|                                  | 31.12.2023    | 31.12.2022    |
|----------------------------------|---------------|---------------|
| <b>A. Opening balance</b>        | <b>47,064</b> | <b>42,200</b> |
| <b>B. Increases</b>              | <b>42</b>     | <b>4,864</b>  |
| B.1 Purchases                    | -             | 4,864         |
| - of which business combinations | -             | -             |
| B.2 Reversals                    | -             | -             |
| B.3 Revaluations                 | -             | -             |
| B.4 Other changes                | 42            | -             |
| <b>C. Decreases</b>              | <b>-</b>      | <b>-</b>      |
| C.1 Sales                        | -             | -             |
| - of which business combinations | -             | -             |
| C.2 Value adjustments            | -             | -             |
| C.3 Write-downs                  | -             | -             |
| C.4 Other changes                | -             | -             |
| <b>D. Closing balance</b>        | <b>47,106</b> | <b>47,064</b> |
| <b>E. Total revaluations</b>     | <b>-</b>      | <b>-</b>      |
| <b>F. Total adjustments</b>      | <b>-</b>      | <b>-</b>      |

The item "B.4 Other changes" includes the value of the Banco Desio Phantom Shares assigned to the resources of the Subsidiary Fides, in relation to the share-based compensation plan approved by the Ordinary Shareholders' Meeting of 2022, as an increase in the value of the investment held in the same company.

In the comparison period, on the other hand, the carrying amount of the investment in Anthilia Capital Management SGR S.p.A. was shown under "B.1 Purchases".

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refers to "car manufacturers [that] should disclose how the phase-out of internal combustion engine vehicles in favour of electric vehicles has been factored into the input parameters".

## LIST OF INVESTMENTS AND SIGNIFICANT INVESTMENTS

### List of controlling investments (Item 100. Investments)

(amounts in Euro)

| <i>Investments</i>                   | <i>Number of shares<br/>or units</i> | <i>%<br/>investment</i> | <i>Nominal value<br/>investment</i> | <i>Carrying amount</i> |
|--------------------------------------|--------------------------------------|-------------------------|-------------------------------------|------------------------|
| <b>Subsidiaries</b>                  |                                      |                         |                                     |                        |
| Fides S.p.A.                         | 35,000,000                           | 100.000                 | 35,000,000                          | 42,235,938             |
| Desio OBG S.r.l.                     | 1                                    | 60.000                  | 6,000                               | 6,000                  |
| <b>Associates</b>                    |                                      |                         |                                     |                        |
| Anthilia Capital Partners SGR S.p.A. | 947,902                              | -                       | 947,902                             | 4,864,550              |
| <b>Total Item 100. Investments</b>   |                                      |                         |                                     | <b>47,106,488</b>      |

### List of investments (Item 20. Financial assets measured at fair value through profit or loss)

(amounts in Euro)

| <i>Investments</i> | <i>Number of shares<br/>or units</i> | <i>%<br/>investment</i> | <i>Nominal value<br/>investment</i> | <i>Carrying amount</i> |
|--------------------|--------------------------------------|-------------------------|-------------------------------------|------------------------|
| Yolo Group S.p.A.  | 264,000                              | 3.017                   | -                                   | 633,600                |
| <b>Total</b>       |                                      |                         |                                     | <b>633,600</b>         |

### List of investments (Item 30. Financial assets measured at fair value through other comprehensive income)

(amounts in Euro)

| <i>Investments</i>           | <i>Number of shares<br/>or units</i> | <i>%<br/>investment</i> | <i>Nominal value<br/>investment</i> | <i>Carrying amount</i> |
|------------------------------|--------------------------------------|-------------------------|-------------------------------------|------------------------|
| Bank of Italy                | 400                                  | 0.133                   | 10,000,000                          | 10,000,000             |
| S.W.I.F.T.                   | 17                                   | 0.016                   | 2,125                               | 38,226                 |
| Sviluppo Como - ComoNExt Spa | 150,000                              | 1.542                   | 150,000                             | 150,000                |
| Unione Fiduciaria            | 15,050                               | 1.394                   | 82,775                              | 485,212                |
| Bancomat S.p.A.              | 29,150                               | 0.691                   | 145,750                             | 145,749                |
| Gepafin S.p.A.               | 113,848                              | 10.728                  | 683,088                             | 1,593,417              |
| CBI S.C.P.A.                 | 5,720                                | 1.243                   | 11,440                              | 11,440                 |
| Baires Produzioni S.r.l      | -                                    | -                       | -                                   | 120,000                |
| <b>Total</b>                 |                                      |                         |                                     | <b>12,544,044</b>      |

## 7.8 Significant restrictions

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



## Section 8 - Tangible assets - Item 80

### 8.1 Tangible assets for functional use: breakdown of assets measured at cost

| Assets/Values                                                 | 31.12.2023     | 31.12.2022     |
|---------------------------------------------------------------|----------------|----------------|
| <b>1. Owned assets</b>                                        | <b>170,573</b> | <b>163,105</b> |
| a) land                                                       | 54,529         | 52,553         |
| b) buildings                                                  | 97,921         | 92,959         |
| c) furniture                                                  | 3,114          | 3,454          |
| d) electronic equipment                                       | 4,659          | 4,968          |
| e) other                                                      | 10,350         | 9,171          |
| <b>2. Rights of use acquired through leases</b>               | <b>54,678</b>  | <b>52,729</b>  |
| a) land                                                       | -              | -              |
| b) buildings                                                  | 53,856         | 52,241         |
| c) furniture                                                  | -              | -              |
| d) electronic equipment                                       | -              | -              |
| e) other                                                      | 822            | 488            |
| <b>Total</b>                                                  | <b>225,251</b> | <b>215,834</b> |
| of which: obtained through enforcement of guarantees received | -              | -              |

The measurement criterion used for land and buildings is the revalued value at 1 January 2004 on first-time application of IAS. When fully operational, the criterion adopted is cost; this criterion is also adopted for all other tangible assets.

The estimated useful life for the main categories of assets is established as follows:

- buildings: 50 years,
- office furniture, furnishings and various equipment, armoured counters and compasses, alarm systems: 10 years,
- terminals and PCs, mixed-use vehicles: 4 years.

Within the individual types of assets, where necessary, certain types are identified to which further specified useful lives are attributed.

Depreciation is calculated on a straight-line basis for all classes of tangible assets, except for land and works of art, which are not depreciated.

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 recognition of assets following the Purchase Price Allocation (PPA) process related to the acquisition of the branches business unit realised in February 2023 with the BPER Group.

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

|                                                               | 31.12.2023      |            |    |              | 31.12.2022      |            |    |              |
|---------------------------------------------------------------|-----------------|------------|----|--------------|-----------------|------------|----|--------------|
|                                                               | Carrying amount | Fair value |    |              | Carrying amount | Fair value |    |              |
|                                                               |                 | L1         | L2 | L3           |                 | L1         | L2 | L3           |
| <b>1. Owned assets</b>                                        | <b>2,790</b>    | -          | -  | <b>4,434</b> | <b>1,805</b>    | -          | -  | <b>2,867</b> |
| a) land                                                       | 1,067           | -          | -  | 1,663        | 723             | -          | -  | 1,127        |
| b) buildings                                                  | 1,723           | -          | -  | 2,771        | 1,082           | -          | -  | 1,740        |
| <b>2. Rights of use acquired through leases</b>               | -               | -          | -  | -            | -               | -          | -  | -            |
| a) land                                                       | -               | -          | -  | -            | -               | -          | -  | -            |
| b) buildings                                                  | -               | -          | -  | -            | -               | -          | -  | -            |
| <b>Total</b>                                                  | <b>2,790</b>    | -          | -  | <b>4,434</b> | <b>1,805</b>    | -          | -  | <b>2,867</b> |
| of which: obtained through enforcement of guarantees received | -               | -          | -  | -            | -               | -          | -  | -            |

### Key

L1= Level 1

L2= Level 2

L3= Level 3

## Commitments for purchases of tangible assets (IAS 16/74.c)

It should be noted that at the reporting date, there were no commitments for the purchase of tangible assets.

## 8.3 Tangible assets for functional use: breakdown of revalued assets

At the reporting dates, the Bank held no revalued tangible assets for functional use.

## 8.4 Tangible assets held for investment purposes: breakdown of assets measured at fair value

At the reporting date, the Bank had no tangible assets held for investment purposes measured at fair value.

## 8.6 Tangible assets for functional use: changes in the year

| Assets/Values                                               | Land          | Buildings      | Furniture     | Electronic equipment | Other         | Total          |
|-------------------------------------------------------------|---------------|----------------|---------------|----------------------|---------------|----------------|
| <b>A. Gross opening balance</b>                             | <b>52,553</b> | <b>229,184</b> | <b>39,633</b> | <b>31,231</b>        | <b>60,588</b> | <b>413,189</b> |
| A.1 Total net impairment                                    | -             | (83,985)       | (36,178)      | (26,264)             | (50,928)      | (197,355)      |
| <b>A.2 Net opening balances</b>                             | <b>52,553</b> | <b>145,199</b> | <b>3,455</b>  | <b>4,967</b>         | <b>9,660</b>  | <b>215,834</b> |
| <b>B. Increases:</b>                                        | <b>2,320</b>  | <b>21,016</b>  | <b>531</b>    | <b>1,554</b>         | <b>3,915</b>  | <b>29,336</b>  |
| B.1 Purchases                                               | 2,320         | 13,854         | 274           | 1,342                | 3,797         | 21,587         |
| - of which business combinations                            | 2,320         | 12,342         | 1             | 367                  | 302           | 15,332         |
| B.2 Capitalised improvement expenses                        | -             | -              | -             | -                    | -             | -              |
| B.3 Reversals                                               | -             | -              | -             | -                    | -             | -              |
| B.4 Positive changes in fair value recognised in            | -             | -              | -             | -                    | -             | -              |
| a) equity                                                   | -             | -              | -             | -                    | -             | -              |
| b) income statement                                         | -             | -              | -             | -                    | -             | -              |
| B.5 Positive exchange rate differences                      | -             | -              | -             | -                    | -             | -              |
| B.6 Reclassified from property held for investment purposes | -             | -              | X             | X                    | X             | -              |
| B.7 Other changes                                           | -             | 7,162          | 257           | 212                  | 118           | 7,749          |
| <b>C. Decreases:</b>                                        | <b>345</b>    | <b>14,440</b>  | <b>871</b>    | <b>1,861</b>         | <b>2,402</b>  | <b>19,919</b>  |
| C.1 Sales                                                   | -             | -              | 268           | 213                  | 126           | 607            |
| C.2 Depreciation                                            | -             | 13,240         | 403           | 1,648                | 2,276         | 17,567         |
| C.3 Impairment recognised in                                | -             | -              | -             | -                    | -             | -              |
| a) equity                                                   | -             | -              | -             | -                    | -             | -              |
| b) income statement                                         | -             | -              | -             | -                    | -             | -              |
| C.4 Negative changes in fair value recognised in            | -             | -              | -             | -                    | -             | -              |
| a) equity                                                   | -             | -              | -             | -                    | -             | -              |
| b) income statement                                         | -             | -              | -             | -                    | -             | -              |
| C.5 Negative exchange rate differences                      | -             | -              | -             | -                    | -             | -              |
| C.6 Reclassified to:                                        | -             | -              | -             | -                    | -             | -              |
| a) tangible assets held for investment purposes             | -             | -              | X             | X                    | X             | -              |
| b) non-current assets and groups of assets held for sale    | -             | -              | -             | -                    | -             | -              |
| C.7 Other changes                                           | 345           | 1,200          | 200           | -                    | -             | 1,745          |
| <b>D. Net closing balance</b>                               | <b>54,528</b> | <b>151,775</b> | <b>3,115</b>  | <b>4,660</b>         | <b>11,173</b> | <b>225,251</b> |
| D.1 Total net impairment                                    | -             | (97,167)       | (36,324)      | (27,702)             | (53,089)      | (214,282)      |
| <b>D.2 Gross closing balance</b>                            | <b>54,528</b> | <b>248,942</b> | <b>39,439</b> | <b>32,362</b>        | <b>64,262</b> | <b>439,533</b> |
| <b>E. Measurement at cost</b>                               | <b>-</b>      | <b>-</b>       | <b>-</b>      | <b>-</b>             | <b>-</b>      | <b>-</b>       |

Items A.1 and D.1 - "Total net impairment" show the amounts for total depreciation.

Item "B.1. Purchases - of which business combinations" shows the value of the assets recognised as a result of the Purchase Price Allocation (PPA) process connected with the acquisition of the branch business unit realised in February 2023 with the BPER Group; for further details, please refer to "Part G - Business combinations involving companies or business units".

Items "B.7 Other changes", "C.1 Sales" and "C.7 Other changes" include:

- the effects of disposals and sales of tangible assets during the year; in particular, item "B.7 Other changes" includes the discharge of the accumulated depreciation of these disposed assets and item "C.7 Other changes" includes the discharge of the historical cost of the same assets. As a

result of the aforementioned disposals, realised losses totalling Euro 15 thousand were recognised in the income statement under item 200 "Other operating income/expenses";

- the incremental or decremental effects of Lease Modifications during the year on the values of RoU Assets recognised in the financial statements in application of IFRS 16.

#### 8.7 Tangible assets held for investment purposes: changes in the year

| Assets/Values                                            | Total        |              |
|----------------------------------------------------------|--------------|--------------|
|                                                          | Land         | Buildings    |
| <b>A. Gross opening balance</b>                          | <b>723</b>   | <b>1,082</b> |
| <b>B. Increases</b>                                      | <b>344</b>   | <b>963</b>   |
| B.1 Purchases                                            | -            | -            |
| B.2 Capitalised improvement expenses                     | -            | -            |
| B.3 Positive changes in fair value                       | -            | -            |
| B.4 Reversals                                            | -            | -            |
| B.5 Positive exchange rate differences                   | -            | -            |
| B.6 Reclassified from assets for functional use          | -            | -            |
| B.7 Other changes                                        | 344          | 963          |
| <b>C. Decreases</b>                                      | <b>-</b>     | <b>322</b>   |
| C.1 Sales                                                | -            | -            |
| C.2 Depreciation                                         | -            | 52           |
| C.3 Negative changes in fair value                       | -            | -            |
| C.4 Impairment                                           | -            | -            |
| C.5 Negative exchange rate differences                   | -            | -            |
| C.6 Reclassified to:                                     | -            | -            |
| a) properties for functional use                         | -            | -            |
| b) non-current assets and groups of assets held for sale | -            | -            |
| C.7 Other changes                                        | -            | 270          |
| <b>D. Closing balance</b>                                | <b>1,067</b> | <b>1,723</b> |
| <b>E. Measurement at fair value</b>                      | <b>1,663</b> | <b>2,771</b> |

#### 8.9 Commitments to purchase tangible assets

It should be noted that there were no commitments for the purchase of tangible assets at year-end.

**OWNED PROPERTIES** (excluding real estate under financial lease)

| Location of the property |                                   | area in sqm<br>office use | Net carrying<br>amount<br>(Euro thousands) |
|--------------------------|-----------------------------------|---------------------------|--------------------------------------------|
| <hr/>                    |                                   |                           |                                            |
| ALBINO                   | Viale Libertà 23/25               | 332                       | 598                                        |
| ARCORE                   | Via Casati, 7                     | 362                       | 471                                        |
| BAREGGIO                 | Via Falcone, 14                   | 200                       | 236                                        |
| BESANA BRIANZA           | Via Vittorio Emanuele, 1/3        | 625                       | 705                                        |
| BOLOGNA                  | Porta Santo Stefano,3             | 1,223                     | 7,947                                      |
| BOVISIO MASCIAGO         | Via Garibaldi, 8                  | 382                       | 358                                        |
| BRESCIA                  | Via Verdi, 1                      | 720                       | 2,652                                      |
| BRIOSCO                  | Via Trieste, 14                   | 430                       | 348                                        |
| BRUGHERIO                | Viale Lombardia,216/218           | 425                       | 1,085                                      |
| BUSTO ARSIZIO            | Via Volta, 1                      | 456                       | 883                                        |
| CADORAGO                 | Via Mameli, 5                     | 187                       | 252                                        |
| CANTU'                   | Via Manzoni, 41                   | 1,749                     | 1,894                                      |
| CARATE BRIANZA           | Via Azimonti, 2                   | 773                       | 825                                        |
| CARUGATE                 | Via XX Settembre, 8               | 574                       | 534                                        |
| CARUGO                   | Via Cavour, 2                     | 252                       | 322                                        |
| CASTELLANZA              | Corso Matteotti, 18               | 337                       | 356                                        |
| CESANO MADERNO           | Corso Roma, 15                    | 692                       | 743                                        |
| CHIAVARI                 | Piazza Matteotti                  | 68                        | 889                                        |
| CINISELLO BALSAMO        | Via Frova, 1                      | 729                       | 775                                        |
| CINISELLO BALSAMO        | Piazza Gramsci                    | 26                        | 13                                         |
| COLOGNO MONZESE          | Via Cavallotti, 10                | 128                       | 40                                         |
| COMO                     | Piazza Cacciatori delle Alpi, 4   | 548                       | 2,028                                      |
| CUSANO MILANINO          | Viale Matteotti, 39               | 522                       | 587                                        |
| DESIO                    | Piazza Conciliazione, 1           | 1,694                     | 1,773                                      |
| DESIO                    | Via Rovagnati, 1                  | 20,032                    | 25,097                                     |
| DESIO                    | Via Volta, 96                     | 238                       | 501                                        |
| GARBAGNATE               | Via Varese, 1                     | 400                       | 1,015                                      |
| GIUSSANO                 | Via Addolorata, 5                 | 728                       | 789                                        |
| LECCO                    | Via Volta, corner of Via Montello | 615                       | 1,500                                      |
| LEGNANO                  | Corso Italia, 8                   | 1,545                     | 2,547                                      |
| LISSONE                  | Via San Carlo, 23                 | 583                       | 1,114                                      |
| MEDA                     | Via Indipendenza, 60              | 678                       | 679                                        |
| MILAN                    | Via della Posta, 8                | 1,912                     | 7,155                                      |
| MILAN                    | Via Foppa, 5                      | 223                       | 703                                        |
| MILAN                    | Via Menotti                       | 825                       | 2,659                                      |
| MILAN                    | Via Moscova, 30/32                | 668                       | 4,728                                      |
| MILAN                    | Via Trau', 3                      | 422                       | 1,804                                      |
| MILAN                    | Piazza De Angeli, 7/9             | 385                       | 1,899                                      |

|                    |                           |       |        |
|--------------------|---------------------------|-------|--------|
| MISINTO            | Piazza Mosca, 3           | 330   | 314    |
| MODENA             | Via Saragozza, 130        | 720   | 3,677  |
| MONZA              | Via Rota, 66              | 330   | 484    |
| MONZA              | Piazza S. Paolo, 5        | 496   | 3,254  |
| NOVA MILANESE      | Piazza Marconi, 5         | 526   | 587    |
| NOVATE MILANESE    | Via Matteotti, 7          | 462   | 578    |
| ORIGGIO            | Largo Croce, 6            | 574   | 650    |
| PADUA              | Via Matteotti, 26         | 550   | 3,065  |
| PALAZZOLO MILANESE | Via Monte Sabotino, 1     | 605   | 562    |
| PIACENZA           | Via Vittorio Veneto, 67/a | 486   | 1,235  |
| REGGIO EMILIA      | Via Terrachini, 1         | 713   | 2,279  |
| RENATE             | Piazza don Zanzi, 2       | 429   | 544    |
| RHO                | Via Martiri Libertà, 3    | 410   | 637    |
| RUBIERA            | Via Emilia Ovest, 7       | 310   | 1,203  |
| SARONNO            | Via Rimembranze, 42       | 530   | 765    |
| SEGRATE            | Via Cassanese, 200        | 170   | 253    |
| SEREGNO            | Via Trabattoni, 40        | 1,233 | 1,821  |
| SESTO SAN GIOVANNI | Piazza Oldrini            | 377   | 760    |
| SEVESO             | Via Manzoni, 9            | 382   | 898    |
| SOVICO             | Via Frette, 10            | 673   | 913    |
| TURIN              | Via Filadelfia 136        | 370   | 1,529  |
| VAREDO             | Via Umberto I°, 123       | 501   | 444    |
| VEDUGGIO           | Via Vittorio Veneto, 51   | 257   | 203    |
| VERANO BRIANZA     | Via Preda, 17             | 322   | 329    |
| VERANO BRIANZA     | Via Furlanelli, 3         | 790   | 601    |
| VIGEVANO           | Via Decembrio, 21         | 655   | 1,781  |
| VIMERCATE          | Via Milano 6              | 338   | 822    |
| AMELIA             | Via Orvieto, 14           | 204   | 132    |
| ASSISI             | Piazza Santa Chiara, 19   | 464   | 619    |
| BEVAGNA            | Corso Matteotti, 36/38    | 103   | 123    |
| CASCIA             | Piazza G. Garibaldi, 1    | 372   | 174    |
| CORCIANO           | Via Gramsci, 2            | 290   | 172    |
| EMPOLI             | Via Busoni, 83/97         | 578   | 1,377  |
| FOLIGNO            | Via Cesare Battisti, 2    | 2,280 | 1,662  |
| NORCIA             | Corso Sertorio, 5         | 259   | 329    |
| PERUGIA            | C.so Vannucci, 30         | 901   | 1,696  |
| PERUGIA            | Via delle Marche, 26      | 113   | 109    |
| PERUGIA            | Via Tagliapietra, 3       | 518   | 430    |
| PERUGIA            | Via Settevalli, 175       | 521   | 1,344  |
| ROMA PRATI FISCALI | Via Val Maggia, 135       | 197   | 1,749  |
| SPOLETO            | Piazza Pianciani          | 8,423 | 17,385 |
| SPOLETO            | Via G. Marconi, 220       | 189   | 124    |
| SPOLETO            | Via Nursina, 1            | 815   | 1,020  |
| SPOLETO            | Viale Trento e Trieste    | 3,793 | 2,190  |
| TERNI              | Corso del Popolo, 45      | 1,895 | 2,267  |

|                        |                                        |       |       |
|------------------------|----------------------------------------|-------|-------|
| TERNI                  | Via del Rivo, 104/F                    | 180   | 171   |
| TREVI                  | Piazza Garibaldi, 7                    | 703   | 427   |
| ALGHERO                | VIA SASSARI 13                         | 183   | 443   |
| BRUGNATO               | VIA BRINIATI 3                         | 145   | 135   |
| GENOA                  | VIA MOLASSANA 70 R                     | 557   | 442   |
| GENOA                  | VIA SAN GIOVANNI D'ACRI 6              | 341   | 310   |
| GENOA                  | VIA PRA' 140 A                         | 230   | 193   |
| GENOA                  | VIA STRUPPA 146 E                      | 251   | 211   |
| GENOA                  | VIA DEI MILLE 57/59                    | 184   | 313   |
| IMPERIA                | PIAZZA FRATELLI SERRA 10               | 392   | 529   |
| LECA D'ALBENGA         | VIA AL PIEMONTE/PIAZZA DEL POPOLO 13   | 168   | 279   |
| MASSA                  | VIALE DELLA STAZIONE 108               | 3,108 | 1,351 |
| MIRANDOLA              | VIA G. PICO 18/20                      | 280   | 354   |
| ROME                   | VIA EMANUELE FILIBERTO 180 E           | 353   | 1,354 |
| RUBIERA                | VIA GIACOMO MATTEOTTI 12               | 145   | 167   |
| SAN GIOVANNI PERSICETO | VIA DOGALI 1/PIAZZA GIUSEPPE GARIBALDI | 200   | 333   |
| SARZANA                | VIA BRIGATA PARTIGIANA UGO MUCCINI 65  | 343   | 433   |
| SASSARI                | VIA ROMA 111                           | 459   | 678   |
| SAVONA                 | CORSO VITTORIO VENETO 172              | 250   | 167   |
| SAVONA                 | VIA ALESSANDRIA 7 A                    | 450   | 462   |
| SORA                   | VIA VITTORIO VENETO 8                  | 633   | 825   |
| VENTIMIGLIA            | VIA MATTEOTTI 1/4                      | 921   | 1,279 |

|                  |  |               |                |
|------------------|--|---------------|----------------|
| <b>Sub total</b> |  | <b>88,618</b> | <b>152,450</b> |
|------------------|--|---------------|----------------|

#### Properties held for investment purposes

|                     |                        |     |     |
|---------------------|------------------------|-----|-----|
| Bologna santa Viola | Via Della Ferriera, 4  | 200 | 896 |
| MEDA parking space  | Via Indipendenza, 60   | 15  | 6   |
| MILAN               | 1st floor Via Trau', 3 | 205 | 951 |
| MONZA               | Corso Milano, 47       | 453 | 738 |
| FOLIGNO             | Via Velino, 2          | 168 | 75  |
| SCHEGGINO           | Piazza del Mercato, 1  | 170 | 124 |

|                  |  |              |              |
|------------------|--|--------------|--------------|
| <b>Sub total</b> |  | <b>1,211</b> | <b>2,790</b> |
|------------------|--|--------------|--------------|

|              |  |               |                |
|--------------|--|---------------|----------------|
| <b>Total</b> |  | <b>89,829</b> | <b>155,240</b> |
|--------------|--|---------------|----------------|

**Statement of revaluations on assets recorded in the financial statements**  
(pursuant to Article 10 of Law No. 72 of 19/3/1983)

(amounts in Euro)

|                                  | Monetary revaluations |                |                  | Economic revaluations |                           | TOTAL             |
|----------------------------------|-----------------------|----------------|------------------|-----------------------|---------------------------|-------------------|
|                                  | Law<br>576/75         | Law<br>72/83   | Law 413/91       | Merger<br>deficit     | Revaluations<br>Voluntary |                   |
| DESIO, Via Rovagnati             |                       | 937,369        | 6,844,273        |                       |                           | 7,781,642         |
| CINISELLO, P.zza Gramsci         |                       |                | 1,173            |                       |                           | 1,173             |
| CUSANO M.NO, Via Matteotti       | 10,170                | 25,483         | 19,944           |                       | 12,925                    | 68,522            |
| CANTU', Via Manzoni              |                       | 22,884         | 185,972          | 1,321,713             |                           | 1,530,569         |
| CARUGATE, Via XX Settembre       |                       |                | 355              |                       | 4,132                     | 4,487             |
| MILAN, Via della Posta           |                       |                | 189,958          |                       | 51,645                    | 241,603           |
| NOVATE M.SE, Via Matteotti       |                       |                | 22,022           | 170,257               |                           | 192,279           |
| GIUSSANO, Via<br>dell'Addolorata |                       |                | 26,067           |                       |                           | 26,067            |
| MEDA, Via Indipendenza           |                       |                | 51,616           |                       |                           | 51,616            |
| MONZA, Corso Milano              |                       |                | 227,521          |                       |                           | 227,521           |
| BOVISIO, Via Garibaldi           |                       |                | 26,357           |                       |                           | 26,357            |
| PADERNO DUGNANO, Via<br>Casati   |                       |                | 24,339           |                       |                           | 24,339            |
| LEGNANO, Corso Garibaldi         |                       |                | 176,676          |                       |                           | 176,676           |
| SOVICO, Via G. da Sovico         |                       |                | 62,703           |                       |                           | 62,703            |
| <b>Totals</b>                    | <b>10,170</b>         | <b>985,736</b> | <b>7,858,976</b> | <b>1,491,970</b>      | <b>68,702</b>             | <b>10,415,554</b> |



## Section 9 - Intangible Assets - Item 90

### 9.1 Intangible assets: breakdown by type of asset

| Assets/Values                               | 31.12.2023        |                     | 31.12.2022        |                     |
|---------------------------------------------|-------------------|---------------------|-------------------|---------------------|
|                                             | Definite duration | Indefinite duration | Definite duration | Indefinite duration |
| <b>A.1 Goodwill</b>                         |                   | <b>9,796</b>        |                   | <b>9,796</b>        |
| <b>A.2 Other intangible assets</b>          | <b>24,900</b>     | -                   | <b>3,129</b>      | -                   |
| of which: software                          | 4,934             | -                   | 3,129             | -                   |
| <b>A.2.1 Assets measured at cost:</b>       | <b>24,900</b>     | -                   | <b>3,129</b>      | -                   |
| a) Internally generated intangible assets   | -                 | -                   | -                 | -                   |
| b) Other assets                             | 24,900            | -                   | 3,129             | -                   |
| <b>A.2.2 Assets measured at fair value:</b> | -                 | -                   | -                 | -                   |
| a) Internally generated intangible assets   | -                 | -                   | -                 | -                   |
| b) Other assets                             | -                 | -                   | -                 | -                   |
| <b>Total</b>                                | <b>24,900</b>     | <b>9,796</b>        | <b>3,129</b>      | <b>9,796</b>        |

The Bank's intangible assets are measured at cost.

The balance shown in the table includes the effect of the recognition of intangible assets identified with reference to the so-called client relationships as a result of the Purchase Price Allocation (PPA) process connected to the acquisition of the branch business unit realised in February 2023 with the BPER Group; the balance of these assets at the end of the reporting year was Euro 19,911 thousand. The useful life was estimated on the basis of a time horizon of between 14 and 16 years.

Goodwill recorded in the financial statements, as it has indefinite useful life, is not subject to systematic amortisation but is subject to an impairment test at least once a year and in particular for the purpose of preparing the financial statements or whenever circumstances arise that lead to the expectation of a reduction in value (see section below "Analysis of trigger events for goodwill impairment tests").

Other intangible assets are amortised on a straight-line basis over their useful life, which for premises vacancy allowances is estimated to be equal to the duration of the lease agreement, for machine-related software is 4 years, and for application software is 4 or 5 years, depending on the useful life further specified within the asset class.

### The Goodwill Impairment Test

In accordance with the provisions of IAS 36 and taking into account the indications referred to in the joint Bank of Italy/Consob/Isvap document of 3 March 2010, the information on the impairment test carried out on the Cash Generating Units (CGUs) is reported below.

The purpose of impairment testing is to ascertain that the carrying amount of each cash generating unit (CGU) does not exceed its recoverable amount, i.e. the benefit that can be derived from it, either through future use (value in use) or by its disposal (fair value less cost to sell), whichever is the higher.

As illustrated in the paragraph "Risks, uncertainties and impacts deriving from war conflicts, from the residual effects of the Covid-19 epidemic, from climate risk and from the macroeconomic context" in the previous "Section 4 - Other aspects" contained in "A.1 General Part" of "Part A - Accounting Policies" of

these Notes (to which reference should be made), for the preparation of these financial statements, impairment tests were performed on goodwill and investments, taking into account the economic and financial forecasts of the 2024-2026 Business Plan "Beyond 26" extended to 2028 through an inertial transfer, on the basis of growth rates substantially in line with those of the previous period, therefore without considering the effect of new managerial leverage and assuming growth rates of assets in line with the most recent forecasts of future performance.

In particular, pursuant to the aforementioned IAS 36 and in application of the Policy for impairment of intangible assets with indefinite useful life (goodwill) and investments, the recoverable value of CGUs was determined, where no fair value was available from transactions concerning the target subject to impairment or from market transactions concerning similar targets, by reference to value in use. For the determination of value in use, IAS 36 provides for the possibility of using the financial method known in doctrine as Discounted Cash Flow. This model identifies the value in use of a CGU or a company by estimating the future (operating) cash flows generated by it, discounted at an appropriate rate, according to the explicit time frame in which they are assumed to be achieved.

In operational practice, the Free Cash Flow to Equity (FCFE), known in the Anglo-Saxon world as the Dividend Discount Model (DDM) in its Excess Capital version, is used in the case of credit or financial companies. This methodology determines the value of a company on the basis of the future cash flows it will be able to distribute to its shareholders, without affecting the assets necessary to sustain the expected development and in compliance with the capital regulations imposed by the Supervisory Authority, discounted at a rate expressing the specific risk of capital. It should be noted, however, that although the expression Dividend Discount Model refers to the word dividend, the cash flows considered by the model are not the dividends that are expected to be distributed to shareholders, but the cash flows that a shareholder could potentially benefit from within the limits of the capital endowments required by the company's operations.

Consistently with what was done for the previous year's financial statements, the CGUs were identified with the individual legal entities, taking into account the fact that the Banking Group envisages a unitary strategic guidance and coordination activity by the Parent Company aimed at achieving development and profitability objectives at the level of each legal entity, and that as a result, there is an autonomous reporting of results (through management reporting systems) that sees the CGU coincide with the legal entity and, therefore, all management reporting, as well as budgeting activities, analyses, monitors and makes equity and profitability estimates according to this approach.

The impairment test was therefore conducted directly on the legal entity Banco di Desio e della Brianza S.p.A. based on the criteria and assumptions illustrated below.

a) Criterion for estimating recoverable amount (Impairment)

For the criterion of estimating the recoverable amount of goodwill belonging to the specific legal entity, reference is made to the so-called value in use (equity value for banks and financial intermediaries).

"Explicit" time frame for determining future cash flows

The timeframe attributable to the 2024-2026 Business Plan "Beyond 26" is considered, as well as the further development of this plan, ensured by the Management and approved by the Board of Directors on 8 February 2024, with prudent projections of future results up to and including an explicit forecast period of 5 years, in order to reduce the distortions attributable to the use of the Business Plan time horizon only, which may be strongly conditioned by a systemic situation that remains complex due to the uncertain forecasts of the macroeconomic scenario and of the sector due to the effects of the conflict in Ukraine and the pandemic crisis, or in any case attributable to extraordinary events

with respect to which it is appropriate to normalise results in order to more correctly focus on the effective medium/long-term potential of the entity being tested.

#### Cash flows

In the valuation of banks and financial intermediaries, the "equity side" approach, within the DDM methodology, is used to determine the equity value because, given the characteristic activity of fund intermediation (funding/lending), it is particularly complex to make a distinction between financial debt and operating debt; moreover, in the Excess Capital version, the cash flows available to shareholders are the cash flows that a shareholder could potentially benefit from within the limits of the capital endowments required by the company's operations, thus taking due account of the absorption of regulatory capital.

#### Discount rate

In the valuation of banks and financial intermediaries, reference is made to the so-called cost of equity ( $K_e$ ).

#### Growth rate of flows beyond the "explicit" time frame for determining future cash flows

A long-term growth rate in line with expectations of the long-term inflation rate is considered.

#### Terminal Value

It is determined through the application of the formula related to the canonical formula of the "perpetual annuity".

The equity value of the CGU, determined at the date of recognition, based on the procedure outlined above, after deducting book equity, is then compared to the carrying amount of the specific goodwill belonging to the CGU in question, with the exclusive objective of verifying any impairment.

### b) Evaluation parameters used and test determinations

Below are the main assumptions used for impairment tests.

| CGU                                   | Model | Database                                   | CAGR<br>RWA | $K_e$  | g     | Plan flows  | Capital ratio       |
|---------------------------------------|-------|--------------------------------------------|-------------|--------|-------|-------------|---------------------|
| Banco di Desio e della Brianza S.p.A. | DDM   | 2024-26 Business Plan extended to 2028 (*) | 2.4%        | 11.92% | 2.03% | Net Results | Tier1<br>10.93 (**) |

(\*) 5-year forecasts, approved by the Board of Directors on 8 February 2024, which were developed by the management taking into account the 2024-26 Business Plan, the 2024 budget, the 2023 final results as well as the most recent market forecasts available

(\*\*) Target allocated capital on Banco Desio estimated (CET1 average 5Y) also in order to oversee consistency with compliance with the minimum (current) CET1 levels at CRR Group level

The impairment test performed did not reveal any need for goodwill impairment.

It is emphasised that the parameters and information considered in the development of the impairment test are influenced by the economic situation and the financial markets and may be subject to changes/variations, not foreseeable at present, with consequent effects on the main assumptions considered and therefore, potentially, also on the results that in future years may be different from those shown in these financial statements.

### c) Sensitivity analysis

Since the impairment assessment is rendered particularly complex by the current macroeconomic and market context and the consequent difficulty in formulating forecasts of future long-term profitability, an additional "stress test" is conducted to support the test performed, assuming a change in the main parameters used in the impairment test procedure.

The table below summarises the percentage deviations or percentage points of the basic assumptions required to render the recoverable amount of the CGU less the equity allocated to it equal to the carrying amount of goodwill.

| CGU                                   | Decrease in % of Future Net Results (NR) | Increase in p.p. of the discount rate for future cash flows (FCFE) |
|---------------------------------------|------------------------------------------|--------------------------------------------------------------------|
| Banco di Desio e della Brianza S.p.A. | 31.39%                                   | Over 1,000                                                         |

In conducting the impairment test, the effects of climate change were not explicitly considered, as a direct impact on this valuation was found to be irrelevant<sup>28</sup>. As also highlighted in Part E of these Notes and in the Report on Operations, in the case of the banking business, the effects of climate change are mainly indirect and not always recognisable as negative on the overall business. In fact, the Business Plan "Beyond 26" qualifies the environmental transition of its customers as a strategic growth lever for the Group; among the enabling factors of the so-called "ESG infusion" there is the development of green financing (with a process of verification of alignment with EU Taxonomy), of direct funding through progressive issues of green-social-sustainable bonds (the framework for which is currently being defined), of the range of sustainable investment products offered as part of asset management and advanced advisory services, and thus, the distribution of sustainable non-life and life insurance products.

<sup>28</sup> Even ESMA in its public statement on "European common enforcement priorities for 2022 annual financial reports" points out that sensitivity to climate risk should be considered specifically, assessing the characteristics of the company, the sector in which it operates, the reference market and other internal and external variables. ESMA itself considers the case of "industries that are highly energy dependent on fossil fuels", whose "long-term or terminal growth rates used in cash flow projections beyond the period covered by the budget forecast are stable, declining or even negative". Another example that ESMA gives refers to "car manufacturers [that] should disclose how the phase-out of internal combustion engine vehicles in favour of electric vehicles has been factored into the input parameters".

## 9.2 Intangible assets: changes in the year

|                                                   | Goodwill      | Other intangible assets:<br>internally generated |       | Other intangible assets:<br>other |       | Total         |
|---------------------------------------------------|---------------|--------------------------------------------------|-------|-----------------------------------|-------|---------------|
|                                                   |               | DEF                                              | INDEF | DEF                               | INDEF |               |
| <b>A. Opening balance</b>                         | <b>11,940</b> | -                                                | -     | <b>24,078</b>                     | -     | <b>36,018</b> |
| A.1 Total net impairment                          | (2,144)       | -                                                | -     | (20,949)                          | -     | (23,093)      |
| A.2 Net opening balances                          | 9,796         | -                                                | -     | 3,129                             | -     | 12,925        |
| <b>B. Increases</b>                               | -             | -                                                | -     | <b>25,243</b>                     | -     | <b>25,243</b> |
| B.1 Purchases                                     | -             | -                                                | -     | 25,243                            | -     | 25,243        |
| - of which business combinations                  | -             | -                                                | -     | 21,150                            | -     | 21,150        |
| B.2 Increases in internal intangible assets       | X             | -                                                | -     | -                                 | -     | -             |
| B.3 Reversals                                     | X             | -                                                | -     | -                                 | -     | -             |
| B.4 Positive changes in fair value                | -             | -                                                | -     | -                                 | -     | -             |
| - equity                                          | X             | -                                                | -     | -                                 | -     | -             |
| - income statement                                | X             | -                                                | -     | -                                 | -     | -             |
| B.5 Positive exchange rate differences            | -             | -                                                | -     | -                                 | -     | -             |
| B.6 Other changes                                 | -             | -                                                | -     | -                                 | -     | -             |
| <b>C. Decreases</b>                               | -             | -                                                | -     | <b>3,472</b>                      | -     | <b>3,472</b>  |
| C.1 Sales                                         | -             | -                                                | -     | -                                 | -     | -             |
| - of which business combinations                  | -             | -                                                | -     | -                                 | -     | -             |
| C.2 Value adjustments                             | -             | -                                                | -     | 3,472                             | -     | 3,472         |
| - Amortisation                                    | X             | -                                                | -     | 3,472                             | -     | 3,472         |
| - Impairment                                      | -             | -                                                | -     | -                                 | -     | -             |
| + equity                                          | X             | -                                                | -     | -                                 | -     | -             |
| + income statement                                | -             | -                                                | -     | -                                 | -     | -             |
| C.3 Negative changes in fair value:               | -             | -                                                | -     | -                                 | -     | -             |
| - equity                                          | X             | -                                                | -     | -                                 | -     | -             |
| - income statement                                | X             | -                                                | -     | -                                 | -     | -             |
| C.4 Transfers to non-current assets held for sale | -             | -                                                | -     | -                                 | -     | -             |
| C.5 Negative exchange rate differences            | -             | -                                                | -     | -                                 | -     | -             |
| C.6 Other changes                                 | -             | -                                                | -     | -                                 | -     | -             |
| <b>D. Net closing balance</b>                     | <b>9,796</b>  | -                                                | -     | <b>24,900</b>                     | -     | <b>34,696</b> |
| D.1 Total net value adjustments                   | (2,144)       | -                                                | -     | (24,421)                          | -     | (26,565)      |
| <b>E. Gross closing balance</b>                   | <b>11,940</b> | -                                                | -     | <b>49,321</b>                     | -     | <b>61,261</b> |
| F. Measurement at cost                            | -             | -                                                | -     | -                                 | -     | -             |

### Key

DEF: definite duration

INDEF: indefinite duration

Item "B.1. Purchases - of which business combinations" shows the value of the intangible assets recognised as a result of the Purchase Price Allocation (PPA) process connected with the acquisition of the branch unit realised in February 2023 with the BPER Group; for further details, please refer to "Part G - Business combinations involving businesses or business units".

## 9.3 Other information

It should be noted that there were no commitments for the purchase of intangible assets at year-end.

## Section 10 - Tax assets and tax liabilities - Item 100 of Assets and item 60 of Liabilities

### 10.1 Deferred tax assets: breakdown

|                                                                      | IRES           | IRAP          | 31.12.2023     | 31.12.2022     |
|----------------------------------------------------------------------|----------------|---------------|----------------|----------------|
| <b>A) balancing item in income statement:</b>                        |                |               |                |                |
| Tax-deductible goodwill                                              | 2,622          | 531           | 3,153          | 3,710          |
| Impairment of loans to customers deductible on a straight-line basis | 68,130         | 9,668         | 77,798         | 111,552        |
| Lump-sum provision for bad debts                                     | 305            | -             | 305            | 305            |
| Statutory depreciation of tangible assets                            | 434            | 1             | 435            | 333            |
| Provision for commitment guarantees and country risk                 | 1,052          | -             | 1,052          | 972            |
| Provision for personnel expenses                                     | 5,977          | 1,030         | 7,007          | 5,698          |
| Provision for lawsuits                                               | 3,006          | -             | 3,006          | 2,599          |
| Provision for revocation                                             | 392            | 79            | 471            | 649            |
| Provision for miscellaneous charges                                  | 2,088          | 307           | 2,395          | 2,273          |
| Other                                                                | 10,314         | 695           | 11,009         | 5,566          |
| <b>Total A</b>                                                       | <b>94,320</b>  | <b>12,311</b> | <b>106,631</b> | <b>133,657</b> |
| <b>B) balancing item in equity:</b>                                  |                |               |                |                |
| Tax allocation for employee severance indemnity                      | 721            | -             | 721            | 721            |
| Impairment of securities classified at FVOCI                         | 7,525          | 1,525         | 9,050          | 17,051         |
| Tax-deductible goodwill                                              | 62             | 12            | 74             | 83             |
| <b>Total B</b>                                                       | <b>8,308</b>   | <b>1,537</b>  | <b>9,845</b>   | <b>17,855</b>  |
| <b>Total (A+B)</b>                                                   | <b>102,628</b> | <b>13,848</b> | <b>116,476</b> | <b>151,512</b> |

### Probability test on advance taxation

In relation to the deferred tax assets described above, it should be noted that they refer for an amount of Euro 64,209 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.

The aforementioned additional deferred tax assets that do not fall within the scope of Law No. 214/2011, were recognised in consideration of the probability of their recovery, as it is expected that sufficient taxable income may become available in the future to recover the asset. In particular, an analysis was made of deferred tax assets by type and timing of reabsorption, as well as the bank's future profitability and related taxable income on the basis of the economic-financial forecasts contained in the 2024-2026 Business Plan approved by the Board of Directors on 23 November 2023 and their extension to 2028, better described in the impairment test on goodwill. The analysis showed that future taxable income is such that the aforementioned deferred tax assets can be recovered.

## 10.2 Deferred tax liabilities: breakdown

|                                               | IRES         | IRAP         | 31.12.2023   | 31.12.2022   |
|-----------------------------------------------|--------------|--------------|--------------|--------------|
| <b>A) balancing item in income statement:</b> |              |              |              |              |
| Tax depreciation of tangible assets           | -            | 13           | 13           | 13           |
| Tax amortisation of goodwill                  | 29           | 6            | 35           | 23           |
| Tax-insignificant intangibles                 | 5,476        | 1,109        | 6,585        |              |
| Other                                         | 745          | 5            | 750          | 752          |
| <b>Total A</b>                                | <b>6,250</b> | <b>1,133</b> | <b>7,383</b> | <b>788</b>   |
| Revaluation of securities classified at FVOCI | 693          | 140          | 833          | 168          |
| Revaluation of investments                    | -            | -            | -            | 16           |
| Revaluation of artistic heritage              | 39           | 8            | 47           | 61           |
| <b>Total B</b>                                | <b>732</b>   | <b>148</b>   | <b>880</b>   | <b>245</b>   |
| <b>Total (A+B)</b>                            | <b>6,982</b> | <b>1,281</b> | <b>8,263</b> | <b>1,033</b> |

The table shows all deferred taxation that will be absorbed in future years.

## 10.3 Changes in deferred tax assets (balancing item in income statement)

|                                                                 | 31.12.2023     | 31.12.2022     |
|-----------------------------------------------------------------|----------------|----------------|
| <b>1. Opening balance</b>                                       | <b>133,657</b> | <b>150,215</b> |
| <b>2. Increases</b>                                             | <b>18,274</b>  | <b>11,385</b>  |
| 2.1 Deferred tax assets recognised in the year                  | 17,650         | 11,216         |
| a) relating to previous years                                   | -              | -              |
| b) due to changes in accounting criteria                        | -              | -              |
| c) reversals                                                    | -              | -              |
| d) other                                                        | 17,650         | 11,216         |
| 2.2 New taxes or increased tax rates                            | -              | -              |
| 2.3 Other increases                                             | 624            | 169            |
| - of which business combinations                                | 624            | -              |
| <b>3. Decreases</b>                                             | <b>45,300</b>  | <b>27,943</b>  |
| 3.1 Deferred tax assets derecognised in the year                | 45,283         | 27,347         |
| a) reversals                                                    | 45,283         | 27,347         |
| b) write-downs for non-recoverability                           | -              | -              |
| c) change in accounting criteria                                | -              | -              |
| d) other                                                        | -              | -              |
| 3.2 Reduced tax rates                                           | -              | -              |
| 3.3 Other decreases:                                            | 17             | 596            |
| a) transformation into tax credits of which as per Law 214/2011 | -              | 346            |
| b) other                                                        | 17             | 250            |
| - of which business combinations                                | -              | -              |
| <b>4. Closing balance</b>                                       | <b>106,631</b> | <b>133,657</b> |

Deferred tax assets recognised during the year mainly refer:

- for Euro 15,643 thousand to allocations to provisions for risks and charges and non-deductible personnel-related provisions;
- for Euro 1,786 thousand to non-deductible provisions for lawsuits and bankruptcy revocatory actions.

The item “2.3 Other increases” refers to the allocation of deferred tax assets, recognised as a balancing entry to the negative goodwill recognised with reference to the so-called Lanternina Transaction, in relation to fair value adjustments on properties and other tangible assets.

Deferred tax assets derecognised during the year are essentially due:

- for Euro 30,719 thousand to the recovery of write-downs on receivables from previous years, pursuant to Article 16 paragraph 4 of Decree Law No. 83 of 27 June 2015, as amended and supplemented;
- for Euro 3,036 thousand to the deduction of the annual 10% share, pursuant to paragraphs 1067 and 1068 of Article 1 of Law No. 145/2018, of the income components arising from the adoption of the model for recognising expected losses on loans to customers, recognised on the first-time application of IFRS 9;
- for Euro 10,900 thousand to the utilisation of taxed funds.

Item “3.3 Other decreases” refers to the reversal of deferred tax assets as a result of the recalculation made when filing the 2022 tax return.

#### 10.3 bis Changes in deferred tax assets as per Law 214/2011

|                                       | 31.12.2023    | 31.12.2022     |
|---------------------------------------|---------------|----------------|
| <b>1. Opening balance</b>             | <b>95,183</b> | <b>109,789</b> |
| <b>2. Increases</b>                   | -             | -              |
| - of which business combinations      | -             | -              |
| <b>3. Decreases</b>                   | <b>30,974</b> | <b>14,606</b>  |
| 3.1 Reversals                         | 30,974        | 14,260         |
| 3.2 Transformation into tax credits   | -             | 346            |
| a) resulting from losses for the year | -             | -              |
| b) resulting from tax losses          | -             | 346            |
| 3.3 Other decreases                   | -             | -              |
| <b>4. Closing balance</b>             | <b>64,209</b> | <b>95,183</b>  |

The item “3.1 Reversals” refers:

- for Euro 30,719 thousand to the recovery of write-downs on receivables from previous years, pursuant to Article 16 paragraph 4 of Decree Law No. 83 of 27 June 2015, as amended and supplemented;
- for Euro 255 thousand to the amortisation of goodwill previously redeemed.



#### 10.4 Changes in deferred tax liabilities (balancing item in income statement)

|                                                       | 31.12.2023   | 31.12.2022 |
|-------------------------------------------------------|--------------|------------|
| <b>1. Opening balance</b>                             | <b>788</b>   | <b>675</b> |
| <b>2. Increases</b>                                   | <b>7,005</b> | <b>113</b> |
| 2.1 Deferred tax liabilities recognised in the year   | 11           | 113        |
| a) relating to previous years                         | 11           | -          |
| b) due to changes in accounting criteria              | -            | -          |
| c) other                                              | -            | 113        |
| 2.2 New taxes or increased tax rates                  | -            | -          |
| 2.3 Other increases                                   | 6,994        | -          |
| - of which business combinations                      | 6,994        | -          |
| <b>3. Decreases</b>                                   | <b>410</b>   | <b>-</b>   |
| 3.1 Deferred tax liabilities derecognised in the year | 410          | -          |
| a) reversals                                          | 410          | -          |
| b) due to changes in accounting criteria              | -            | -          |
| c) other                                              | -            | -          |
| 3.2 Reduced tax rates                                 | -            | -          |
| 3.3 Other decreases                                   | -            | -          |
| - of which business combinations                      | -            | -          |
| <b>4. Closing balance</b>                             | <b>7,383</b> | <b>788</b> |

The item “2.3 Other increases” refers to the allocation of deferred tax liabilities, recognised as a balancing entry to the negative goodwill recognised with reference to the so-called Lanternina Transaction, in connection with the recognition of new intangible assets.

Deferred taxes derecognised during the year relate to the amortisation performed on the aforementioned intangible assets.

#### 10.5 Changes in deferred tax assets (balancing item in equity)

|                                                  | 31.12.2023    | 31.12.2022    |
|--------------------------------------------------|---------------|---------------|
| <b>1. Opening balance</b>                        | <b>17,854</b> | <b>3,779</b>  |
| <b>2. Increases</b>                              | <b>11</b>     | <b>15,920</b> |
| 2.1 Deferred tax assets recognised in the year   | 11            | 15,920        |
| a) relating to previous years                    | -             | -             |
| b) due to changes in accounting criteria         | -             | -             |
| c) other                                         | 11            | 15,920        |
| 2.2 New taxes or increased tax rates             | -             | -             |
| 2.3 Other increases                              | -             | -             |
| - of which business combinations                 | -             | -             |
| <b>3. Decreases</b>                              | <b>8,020</b>  | <b>1,845</b>  |
| 3.1 Deferred tax assets derecognised in the year | 8,020         | 1,845         |
| a) reversals                                     | 8,020         | 1,845         |
| b) write-downs for non-recoverability            | -             | -             |
| c) due to changes in accounting criteria         | -             | -             |
| d) other                                         | -             | -             |
| 3.2 Reduced tax rates                            | -             | -             |
| 3.3 Other decreases                              | -             | -             |
| - of which business combinations                 | -             | -             |
| <b>4. Closing balance</b>                        | <b>9,845</b>  | <b>17,854</b> |

Deferred tax assets recognised during the year are attributable to the valuation of securities classified as Financial assets at fair value through profit or loss (FVOCI).

Deferred tax assets derecognised during the year are mainly related to the valuation of securities classified as Financial assets measured at fair value through other comprehensive income (FVOCI).

## 10.6 Changes in deferred tax liabilities (balancing item in equity)

|                                                       | 31.12.2023 | 31.12.2022   |
|-------------------------------------------------------|------------|--------------|
| <b>1. Opening balance</b>                             | <b>245</b> | <b>1,285</b> |
| <b>2. Increases</b>                                   | <b>802</b> | <b>173</b>   |
| 2.1 Deferred tax liabilities recognised in the year   | 802        | 173          |
| a) relating to previous years                         | -          | -            |
| b) due to changes in accounting criteria              | -          | -            |
| c) other                                              | 802        | 173          |
| 2.2 New taxes or increased tax rates                  | -          | -            |
| 2.3 Other increases                                   | -          | -            |
| <b>3. Decreases</b>                                   | <b>167</b> | <b>1,213</b> |
| 3.1 Deferred tax liabilities derecognised in the year | 167        | 1,213        |
| a) reversals                                          | 167        | 1,213        |
| b) due to changes in accounting criteria              | -          | -            |
| c) other                                              | -          | -            |
| 3.2 Reduced tax rates                                 | -          | -            |
| 3.3 Other decreases                                   | -          | -            |
| <b>4. Closing balance</b>                             | <b>880</b> | <b>245</b>   |

Deferred tax liabilities recognised during the year are attributable to the valuation of securities classified as Financial assets at fair value through profit or loss (FVOCI).

Deferred tax liabilities derecognised during the year are essentially related to the valuation of securities classified as Financial assets measured at fair value through other comprehensive income (FVOCI).

## 10.7 Other information

### Current tax assets

| Items        | 31.12.2023 | 31.12.2022   |
|--------------|------------|--------------|
| Ires         | -          | -            |
| Irap         | 197        | 3,637        |
| <b>Total</b> | <b>197</b> | <b>3,637</b> |

### Current tax liabilities

| Items        | 31.12.2023   | 31.12.2022 |
|--------------|--------------|------------|
| Ires         | 3,332        | 44         |
| Irap         | -            | -          |
| <b>Total</b> | <b>3,332</b> | <b>44</b>  |

**Section 11 - 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 the item "Non-current assets and groups of assets held for sale" equal to Euro 1 thousand in the previous year refers to the fixed assets included in the transfer of the Banco Desio merchant acquiring activity to Worldline Italia.

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

## Section 12 - Other assets - Item 120

### 12.1 Other assets: breakdown

|                                                                | 31.12.2023     | 31.12.2022     |
|----------------------------------------------------------------|----------------|----------------|
| Tax credits                                                    |                |                |
| - principal share                                              | 453,275        | 431,080        |
| - interest share                                               |                |                |
| Receivables from tax authorities for advances paid             | 22,296         | 32,185         |
| Withholding taxes incurred                                     |                |                |
| Negotiated cheques to be settled                               | 12,529         | 15,045         |
| Security deposits                                              |                |                |
| Invoices issued for collection                                 | 77             | 2,929          |
| Debtors for third-party securities and coupons to be collected | 200            |                |
| Stocks of printers and stationery                              |                |                |
| Items being processed and in transit with branches             | 36,317         | 26,846         |
| Currency deviations on portfolio transactions                  |                |                |
| Investments supplementary staff liquidation provision          |                |                |
| Leasehold improvements                                         | 5,885          | 6,940          |
| Accrued and deferred assets                                    | 22,593         | 18,858         |
| Other items                                                    | 42,718         | 37,905         |
| <b>Total</b>                                                   | <b>595,890</b> | <b>571,788</b> |

The item "Tax credits" mainly refers:

- for Euro 442,773 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 1,121 thousand, to the receivable related to the management of mortgages disbursed for reconstruction after the 2009 Abruzzo earthquake (Euro 1,127 thousand at the end of the previous year);
- for Euro 7,027 thousand, to the credit related to the management of loans disbursed for the reconstruction after the earthquake in Central Italy in 2016 (Euro 4,062 thousand at the end of the previous year).

The amount of ecobonus/seismbonus tax credits purchased takes into account the updated assessment of the potential risk to which Banco Desio could be exposed following the preventive seizure of tax credits purchased over time (primary and secondary market) for a total of Euro 44.2 million, including the impossibility of offsetting them, for those that will be ascertained to be cases of fraud. In consideration of the position taken by the jurisprudence<sup>29</sup> as to the non-usability of the tax credit due to conduct unrelated to the transferee, of the new information acquired on the status of the investigations by the Public Prosecutor's Office, and of the legal and technical analysis conducted, the bank deemed it appropriate<sup>30</sup>

<sup>29</sup> The Court of Cassation, through a number of rulings made during the year 2022, confirmed the reconstruction postulated by the Public Prosecutor's Office, recognising the legitimacy of the seizure orders due to the non-existence of the claims subject to the precautionary measure

<sup>30</sup> In relation to the possibility that, for what will be ascertained to be cases of fraud, the liability of the transferee, even if a bona fide third party or party to the offence, may also be called upon for hypotheses other than the possible irregular use of the tax credit or for use to a greater extent than the tax credit received

to cautiously increase the overall allocation to a total of Euro 31.2 million, recognising an additional expense of Euro 18.7 million in the item "Other operating expenses/income" in the income statement<sup>31</sup>.

"Receivables from tax authorities for advances paid" refer to taxes for which greater advance payments have been made than the debt that will result from the specific declarations; in detail, they concern:

- the receivable for stamp duty paid virtually in the amount of Euro 16,246 thousand (Euro 24,612 thousand at the end of the previous year);
- the receivable for the advance payment of the substitute tax due on administered "capital gain" in the amount of Euro 5,099 thousand, pursuant to Article 2, paragraph 5 of Decree Law No. 133 of 30 November 2013, (Euro 6,768 thousand at the end of the previous year).

Among the "Items being processed and in transit with branches", the most significant items are those relating to cheques under processing for Euro 853 thousand (Euro 1,181 thousand at the end of the previous year), cheques under processing for Euro 3,661 thousand (Euro 1,501 thousand at the end of the previous year), that relating to the F24 proxies accepted and which will be debited on the due date for Euro 6,537 thousand (Euro 9,035 thousand at the end of the previous year), items awaiting settlement relating to electronic payment cards for Euro 6,429 thousand (Euro 1,167 thousand at the end of the previous year) and that relating to the recovery of the commission for making funds available from customers for Euro 9,101 thousand (Euro 7,197 thousand at the end of the previous year). This item includes items relating to transactions that generally settle in the first few days of the following 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 22,889 thousand (Euro 16,498 thousand at the end of the previous year), mainly due to receivables for stamp duty on account statements, receivables for services debited to customers on a quarterly basis, and interbank income;
- receivables of Euro 5,634 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 2,095 thousand (Euro 5,230 thousand at the end of the previous year).

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<sup>31</sup> The assessment of the aforementioned risks necessarily required the application of a significant degree of professional judgement, the main elements of uncertainty of which are attributable to the outcome of the proceedings underway, the identification of the receivables the deductions of which have been assigned are effectively non-existent and the outcome of the initiatives that will be activated by Banco Desio to recover the amounts paid to the entities with respect to which cases of fraud have been ascertained.

## LIABILITIES

### Section 1 - Financial liabilities measured at amortised cost - Item 10

#### 1.1 Financial liabilities measured at amortised cost: breakdown by type of payables to banks

|                                                                   | 31.12.2023       |            |    |                  | 31.12.2022       |            |    |                  |
|-------------------------------------------------------------------|------------------|------------|----|------------------|------------------|------------|----|------------------|
|                                                                   | CA               | Fair Value |    |                  | CA               | Fair Value |    |                  |
|                                                                   |                  | L1         | L2 | L3               |                  | L1         | L2 | L3               |
| <b>1. Payables to central banks</b>                               | <b>1,479,445</b> | X          | X  | X                | <b>3,004,994</b> | X          | X  | X                |
| <b>2. Payables to banks</b>                                       | <b>470,620</b>   | X          | X  | X                | <b>376,356</b>   | X          | X  | X                |
| 2.1 Current accounts and demand deposits                          | 25,388           | X          | X  | X                | 88,136           | X          | X  | X                |
| 2.2 Fixed-term deposits                                           | -                | X          | X  | X                | -                | X          | X  | X                |
| 2.3 Loans                                                         | 445,232          | X          | X  | X                | 288,220          | X          | X  | X                |
| 2.3.1 Repurchase agreements                                       | 445,232          | 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                |
| <b>Total</b>                                                      | <b>1,950,065</b> | -          | -  | <b>1,950,065</b> | <b>3,381,350</b> | -          | -  | <b>3,381,350</b> |

#### 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 31 December 2023 is equal to 1.4 billion (formerly 3.0 billion); the reduction compared to the previous year is attributable to the reimbursement of Euro 1.6 billion for the natural expiry of two TLTRO III tranches (June and December 2023 respectively).

At 31 December 2023, the item interest expense includes amounts accrued during the year for Euro 92.5 million.

"Current accounts and demand deposits" include the balances of collateral deposits held with Banco Desio by bank counterparties of OTC derivatives.

The item "Repurchase agreements" includes Long-Term Repo contracts on part of the portfolio's assets (eligible and non-eligible) entered into with leading market counterparties in order to optimise funding activities.

## 1.2 Financial liabilities measured at amortised cost: breakdown of payables to customers

| Type of transactions/Values                                      | 31.12.2023        |            |          |                   | 31.12.2022        |            |          |                   |
|------------------------------------------------------------------|-------------------|------------|----------|-------------------|-------------------|------------|----------|-------------------|
|                                                                  | CA                | Fair Value |          |                   | CA                | Fair Value |          |                   |
|                                                                  |                   | L1         | L2       | L3                |                   | L1         | L2       | L3                |
| 1. Current accounts and demand deposits                          | 10,340,907        | X          | X        | X                 | 10,065,243        | X          | X        | X                 |
| 2. Fixed-term deposits                                           | 1,012,693         | X          | X        | X                 | 321,502           | X          | X        | X                 |
| 3. Loans                                                         | 1,101,325         | X          | X        | X                 | 690,496           | X          | X        | X                 |
| 3.1 Repurchase agreements                                        | 607,637           | X          | X        | X                 | 503,113           | X          | X        | X                 |
| 3.2 Other                                                        | 493,688           | 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                                                | 55,991            | X          | X        | X                 | 53,709            | X          | X        | X                 |
| 6. Other payables                                                | 43,014            | X          | X        | X                 | 36,334            | X          | X        | X                 |
| <b>Total 31.12.2023</b>                                          | <b>12,553,930</b> | <b>-</b>   | <b>-</b> | <b>12,553,930</b> | <b>11,167,284</b> | <b>-</b>   | <b>-</b> | <b>11,167,284</b> |

### Key

L1= Level 1

L2= Level 2

L3= Level 3

The balance at 31 December 2023 of payables to customers, compared to the comparative period, is affected by the inclusion in the portfolio of the positions acquired following the acquisition of the two business units from the BPER Group in the Lanternina Transaction.

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 215 million.

Item "5. Lease payables" are recognised, in application of IFRS 16, 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 40,520 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 1,914 thousand.

Payables to companies belonging to the Banco Desio Group amounted to Euro 224,199 thousand, all referring to the subsidiary Fides S.p.A. (Euro 6,368 thousand at the end of the previous year): the increase in this exposure is part of the Group's broader funding plan.



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

| Type of securities/Values | 31.12.2023       |            |                  |            | 31.12.2022       |            |                  |              |
|---------------------------|------------------|------------|------------------|------------|------------------|------------|------------------|--------------|
|                           | CA               | Fair Value |                  |            | CA               | Fair Value |                  |              |
|                           |                  | L1         | L2               | L3         |                  | L1         | L2               | L3           |
| <b>A. Securities</b>      |                  |            |                  |            |                  |            |                  |              |
| 1. bonds                  | 2,280,095        | -          | 2,205,972        | -          | 1,531,574        | -          | 1,493,586        | -            |
| 1.1 structured            | -                | -          | -                | -          | -                | -          | -                | -            |
| 1.2 other                 | 2,280,095        | -          | 2,205,972        | -          | 1,531,574        | -          | 1,493,586        | -            |
| 2. other securities       | 353              | -          | -                | 353        | 4,577            | -          | -                | 4,577        |
| 2.1 structured            | -                | -          | -                | -          | -                | -          | -                | -            |
| 2.2 other                 | 353              | -          | -                | 353        | 4,577            | -          | -                | 4,577        |
| <b>Total</b>              | <b>2,280,448</b> | <b>-</b>   | <b>2,205,972</b> | <b>353</b> | <b>1,536,151</b> | <b>-</b>   | <b>1,493,586</b> | <b>4,577</b> |

#### 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 1,578 million issued and the subordinate PO commented on in the following paragraph 1.4.

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

### 1.4 Breakdown of payables/subordinated securities

During the period, Banco Desio issued a Tier 2 Subordinated 10Y non-call 5Y Bond for a nominal amount of Euro 60 million: the following table shows the main information and for further details please refer to section "3.2 Corporate events" of the Report on Operations.

| Bonds                  | Issue date | Maturity date | Currency | Rate | 31.12.2023    | 31.12.2022 |
|------------------------|------------|---------------|----------|------|---------------|------------|
| ISIN Code IT0005554644 | 06.07.2023 | 06.07.2033    | Euro     | TF   | 62,544        | -          |
| <b>Total</b>           |            |               |          |      | <b>62,544</b> | <b>-</b>   |

## Section 2 - Financial liabilities held for trading - Item 20

### 2.1 Financial liabilities held for trading: breakdown by type

| Type of transactions/Values            | 31.12.2023 |            |       |     |              | 31.12.2022 |            |       |     |              |
|----------------------------------------|------------|------------|-------|-----|--------------|------------|------------|-------|-----|--------------|
|                                        | NV         | Fair Value |       |     | Fair Value * | NV         | Fair Value |       |     | Fair Value * |
|                                        |            | L1         | L2    | L3  |              |            | L1         | L2    | L3  |              |
| <b>A. On-balance sheet liabilities</b> |            |            |       |     |              |            |            |       |     |              |
| 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            |
| <b>Total A</b>                         | -          | -          | -     | -   | -            | -          | -          | -     | -   | -            |
| <b>B. Derivative instruments</b>       |            |            |       |     |              |            |            |       |     |              |
| 1. Financial derivatives               | -          | -          | 1,062 | 688 | -            | -          | -          | 3,278 | 852 | -            |
| 1.1 For trading                        | X          | -          | 1,062 | 688 | X            | X          | -          | 3,278 | 852 | X            |
| 1.2 Related to the fair value option   | X          | -          | -     | -   | X            | X          | -          | -     | -   | X            |
| 1.3 Other                              | X          | -          | -     | -   | X            | X          | -          | -     | -   | X            |
| 2. Credit derivatives                  | -          | -          | -     | -   | -            | -          | -          | -     | -   | -            |
| 2.1 For trading                        | X          | -          | -     | -   | X            | X          | -          | -     | -   | X            |
| 2.2 Related to the fair value option   | X          | -          | -     | -   | X            | X          | -          | -     | -   | X            |
| 2.3 Other                              | X          | -          | -     | -   | X            | X          | -          | -     | -   | X            |
| <b>Total B</b>                         | X          | -          | 1,062 | 688 | X            | X          | -          | 3,278 | 852 | X            |
| <b>Total (A+B)</b>                     | X          | -          | 1,062 | 688 | 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, for which the hedging relationship was discontinued, and to the fair value of swap and outright contracts that are subject to natural hedges.

### 2.2 Breakdown of "Financial liabilities held for trading": subordinated liabilities

At the reporting date, there were no subordinated financial trading liabilities.

### 2.3 Breakdown of "Financial liabilities held for trading": structured debt

At the reporting date, there were no structured debts under financial liabilities held for trading.

## Section 4 - Hedging derivatives - Item 40

### 4.1 Hedging derivatives: breakdown by hedge type and hierarchical levels

|                                 | Fair value 31.12.2023 |        |    | NV<br>31.12.2023 | Fair value 31.12.2022 |    |    | NV<br>31.12.2022 |
|---------------------------------|-----------------------|--------|----|------------------|-----------------------|----|----|------------------|
|                                 | L1                    | L2     | L3 |                  | L1                    | L2 | L3 |                  |
| <b>A. Financial derivatives</b> | -                     | 14,556 | -  | 610,000          | -                     | -  | -  | -                |
| 1) Fair value                   | -                     | 14,556 | -  | 610,000          | -                     | -  | -  | -                |
| 2) Cash flows                   | -                     | -      | -  | -                | -                     | -  | -  | -                |
| 3) Foreign investments          | -                     | -      | -  | -                | -                     | -  | -  | -                |
| <b>B. Credit derivatives</b>    | -                     | -      | -  | -                | -                     | -  | -  | -                |
| 1) Fair value                   | -                     | -      | -  | -                | -                     | -  | -  | -                |
| 2) Cash flows                   | -                     | -      | -  | -                | -                     | -  | -  | -                |
| <b>Total</b>                    | -                     | 14,556 | -  | 610,000          | -                     | -  | -  | -                |

#### 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, the Group has put in place a consistent strategy to hedge its assets. The item includes:

- the fair value of the derivative financial instruments put in place to hedge the interest rate risk of fixed-rate debt securities classified in the held-to-collect portfolio (fair value hedge type coverage);
- 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, in 2023, the Bank joined the Clearing service for OTC interest rate derivatives by identifying the central counterparty (Eurex Clearing) for clearing derivative transactions.

## Section 6 - Tax liabilities - Item 60

The breakdown of and changes in the year in tax liabilities are provided in Section 10 of Assets together with information on deferred tax assets.

## Section 8 - Other liabilities - Item 80

### 8.1 Other liabilities: breakdown

|                                                                      | 31.12.2023     | 31.12.2022     |
|----------------------------------------------------------------------|----------------|----------------|
| Payables to tax authorities                                          | 102            | 401            |
| Amounts to be paid to the tax authorities on behalf of Third Parties | 44,141         | 33,996         |
| Social security contributions to be reimbursed                       | 8,400          | 5,981          |
| Shareholders dividend account                                        | 25             | 18             |
| Suppliers                                                            | 31,287         | 26,845         |
| Amounts available to customers                                       | 14,769         | 11,695         |
| Interests and amounts to be credited                                 |                |                |
| Payments against provision on bills                                  | 86             | 74             |
| Advance payments on overdue receivables                              | 1,050          | 455            |
| Items being processed and in transit with branches                   | 22,680         | 20,737         |
| Currency deviations on portfolio transactions                        | 18,267         | 23,661         |
| Payables to employees                                                | 2,113          | 4,304          |
| Sundry creditors                                                     | 130,594        | 108,056        |
| Provisions on guarantees given and commitments                       |                |                |
| Accrued and deferred liabilities                                     | 1,737          | 1,684          |
| <b>Total</b>                                                         | <b>275,251</b> | <b>237,907</b> |

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 2,507 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 618 thousand (Euro 592 thousand at the end of the previous year),
- items related to securities transactions subsequently settled in the amount of Euro 2,581 (Euro 8,043 thousand at the end of the previous year),
- collections related to factoring transactions from customers in the amount of Euro 6,785 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 incentives totalling Euro 1,582 thousand (Euro 3,830 thousand at the end of the previous year) and the valuation of holidays and leave not taken totalling Euro 530 thousand (Euro 474 thousand at the end of the previous year).

The main items that make up the item "Sundry creditors" concern outgoing transfers to be settled in the Clearing House in favour of current account holders of other banks for a total of Euro 117,213 thousand (Euro 94,089 thousand at the end of last year), sundry creditors for currency negotiation transactions in the

amount of Euro 3,559 thousand (Euro 886 thousand last year), creditors for bills withdrawn in the amount of Euro 1,145 thousand (Euro 1,697 thousand last year).

## Section 9 - Employee severance indemnity (TFR) - Item 90

### 9.1 Employee severance indemnity: changes in the year

|                             | 31.12.2023    | 31.12.2022     |
|-----------------------------|---------------|----------------|
| <b>A. Opening balance</b>   | <b>17,555</b> | <b>21,701</b>  |
| <b>B. Increases</b>         | <b>2,366</b>  | <b>77</b>      |
| B.1 Allocation for the year | 634           | 77             |
| B.2 Other changes           | 1,732         | -              |
| <b>C. Decreases</b>         | <b>(813)</b>  | <b>(4,223)</b> |
| C.1 Payments made           | (761)         | (2,694)        |
| C.2 Other changes           | (52)          | (1,529)        |
| <b>D. Closing balance</b>   | <b>19,108</b> | <b>17,555</b>  |
| <b>Total</b>                | <b>19,108</b> | <b>17,555</b>  |

In application of international accounting standards, the provision for employee severance indemnity is classified as a defined-benefit fund, therefore subject to actuarial valuation, the assumptions used for which are explained in the following section.

Provisions for the year do not include amounts directly paid by the Bank, according to the choices expressed by employees, to supplementary pension schemes or to the treasury Fund managed directly by INPS. The cost of these choices, which for the year amounted to Euro 12,657 thousand, is recognised Personnel expenses in sub-item "g) contributions to external supplementary pension funds".

The items "B.2 Other changes" and "C.2 Other changes" relate to the effect (positive or negative) of the discounting of the statutory provision for employee severance indemnity. It should be noted that item B.2 includes the impact of the acquisition of the two business units from the BPER Banca group (the so-called Lanternina Transaction).

The debt accrued at the end of the financial year according to civil law for existing Bank personnel amounted to Euro 19,902 thousand.

### 9.2 Other information

The actuarial assumptions used by the independent actuary to determine the liabilities at the reporting date are as follows:

#### *Demographic assumptions*

- for death probabilities those determined by the General Accounting Office of the State called RG48, broken down by gender;
- for the period of retirement for the generic asset, it was assumed that the first of the retirement requirements valid for the Compulsory General Insurance will be reached;
- for the probability of leaving work due to causes other than death, based on internal statistics, annual frequencies of 2.50% were considered;

### Economic and financial assumptions

The technical evaluations were carried out on the basis of the following assumptions:

- technical discount rate 3.04%
- annual seniority premium adjustment rate 0.00%
- annual rate of total salary increase 3.00%

With regard to the discount rate, the iBoxx Eurozone Corporates AA 7 - 10 index at the valuation date was taken as the reference for the valuation of this parameter.

The following table represents the sensitivity analysis of the liability recognised when the economic-financial assumptions change:

|                                   | Positive change<br>of parameter (+) | Negative change<br>of parameter (-) |
|-----------------------------------|-------------------------------------|-------------------------------------|
| Annual discount rate (+/- 0.25%)  | 18,865                              | 19,358                              |
| Annual inflation rate (+/- 0.25%) | 19,249                              | 18,969                              |
| Annual turnover rate (+/- 2.00%)  | 19,152                              | 19,057                              |

\*Values expressed in Euro thousands.

## Section 10 - Provisions for risk and charges - Item 100

### 10.1 Provisions for risks and charges: breakdown

| Items/Values                                                                        | 31.12.2023    | 31.12.2022    |
|-------------------------------------------------------------------------------------|---------------|---------------|
| 1. Provisions for credit risk related to commitments and financial guarantees given | 4,096         | 3,534         |
| 2. Provisions on other commitments and other guarantees given                       | -             | -             |
| 3. Company pension funds                                                            | -             | -             |
| 4. Other provisions for risks and charges                                           | 52,506        | 45,161        |
| 4.1 legal and tax disputes                                                          | 12,826        | 11,977        |
| 4.2 personnel expenses                                                              | 22,565        | 17,981        |
| 4.3 other                                                                           | 17,115        | 15,203        |
| <b>Total</b>                                                                        | <b>56,602</b> | <b>48,695</b> |

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 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 11,362 thousand for lawsuits (Euro 9,896 thousand at year-end) and Euro 1,465 thousand for bankruptcy revocatory actions (formerly Euro 2,081 thousand).

Item "4.2 personnel expenses" mainly includes the estimated liabilities for redundancy costs in the amount of Euro 260 thousand (Euro 459 thousand last year), for the bonus system in the amount of Euro 18,893 thousand (Euro 14,528 thousand last year), seniority bonuses and additional holidays in the amount of Euro 3,364 thousand (Euro 2,994 thousand last year).

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.

|                                        | Other provisions for risks and charges | Total         |
|----------------------------------------|----------------------------------------|---------------|
| <b>A. Opening balance</b>              | <b>45,161</b>                          | <b>45,161</b> |
| <b>B. Increases</b>                    | <b>30,224</b>                          | <b>30,224</b> |
| B.1 Allocation for the year            | 28,836                                 | 28,836        |
| B.2 Changes due to the passage of time | 454                                    | 454           |
| B.3 Discount rate changes              | -                                      | -             |
| B.4 Other changes                      | 934                                    | 934           |
| - of which business combinations       | 934                                    | 934           |
| <b>C. Decreases</b>                    | <b>22,879</b>                          | <b>22,879</b> |
| C.1 Used in the year                   | 21,967                                 | 21,967        |
| C.2 Discount rate changes              | -                                      | -             |
| C.3 Other changes                      | 912                                    | 912           |
| - of which business combinations       | 556                                    | 556           |
| <b>D. Closing balance</b>              | <b>52,506</b>                          | <b>52,506</b> |

With reference to "Other provisions", the following main allocations are included under item "B.1 Allocation for the year":

- to the provision for bonus system in the amount of Euro 13,819 thousand;
- for other operational risks, including allocations related to indemnities to be paid to financial advisors, in the amount of Euro 6,334 thousand;
- for charges for legal disputes and bankruptcy revocatory actions in the amount of Euro 4,984 thousand.

Item "C.1 Used in the year" represents the direct utilisations of provisions for risks and charges, made against agreements and settlements finalised during the period, rather than upon the occurrence of the conditions required for the disbursement of provisions to personnel. In particular, utilisations mainly related to disbursements for legal disputes and bankruptcy revocatory actions in the amount of Euro 5,562 thousand, for disbursements related to the bonus system in the amount of Euro 13,204 thousand, and for operational risks in the amount of Euro 3,201 thousand.

The item "C.2 Discount rate changes" records the amount of changes recorded as a result of the change in the legal interest rate.

### 10.3 Provisions for credit risk related to commitments and financial guarantees given

| Provisions for credit risk related to commitments and financial guarantees given |             |              |              |                                  |              |
|----------------------------------------------------------------------------------|-------------|--------------|--------------|----------------------------------|--------------|
|                                                                                  | First stage | Second stage | Third stage  | Impaired purchased or originated | Total        |
| Commitments to disburse funds                                                    | 398         | 173          | -            | -                                | 571          |
| Financial guarantees given                                                       | 135         | 643          | 2,747        | -                                | 3,525        |
| <b>Total</b>                                                                     | <b>533</b>  | <b>816</b>   | <b>2,747</b> | <b>-</b>                         | <b>4,096</b> |

#### 10.5 Defined-benefit company pension funds

At the reporting dates, the item is not present.

#### 10.6 Provisions for risks and charges: other provisions

|                                      | 31.12.2023    | 31.12.2022    |
|--------------------------------------|---------------|---------------|
| Legal disputes                       | 12,826        | 11,977        |
| Other operational risks              | 17,115        | 15,203        |
| Solidarity fund                      | 260           | 459           |
| Seniority bonus and additional leave | 3,364         | 2,994         |
| Other personnel provisions           | 18,941        | 14,528        |
| <b>Total</b>                         | <b>52,506</b> | <b>45,161</b> |

#### Section 11 - Redeemable shares - Item 120

In Banco Desio there is no such type of share.



## Section 12 - Company equity - Items 110,130, 140, 150, 160, 170 and 180

### 12.1 "Capital" and "Treasury shares": breakdown

|                           | 31.12.2023    | 31.12.2022    |
|---------------------------|---------------|---------------|
| <b>A. Capital</b>         | <b>70,693</b> | <b>70,693</b> |
| A.1 Ordinary shares       | 70,693        | 70,693        |
| A.2 Savings shares        |               |               |
| A.3 Privileged shares     |               |               |
| <b>B. Treasury shares</b> |               |               |
| B.1 Ordinary shares       |               |               |
| B.2 Savings shares        |               |               |
| B.3 Privileged shares     |               |               |
| <b>Total</b>              | <b>70,693</b> | <b>70,693</b> |

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

## 12.2 Capital - Number of shares: changes in the year

|                                                | Ordinary           | Other |
|------------------------------------------------|--------------------|-------|
| <b>A. Shares at the beginning of the year</b>  | <b>134,363,049</b> |       |
| - fully paid-up                                | 134,363,049        |       |
| - not fully paid-up                            |                    |       |
| A.1 Treasury shares (-)                        |                    |       |
| <b>A.2 Shares outstanding: opening balance</b> | <b>134,363,049</b> |       |
| <b>B. Increases</b>                            |                    |       |
| B.1 New issues                                 |                    |       |
| - payment                                      |                    |       |
| - business combinations                        |                    |       |
| - conversion of bonds                          |                    |       |
| - warrants exercised                           |                    |       |
| - other                                        |                    |       |
| - free of charge                               |                    |       |
| - employees                                    |                    |       |
| - directors                                    |                    |       |
| - other                                        |                    |       |
| B.2 Sale of treasury shares                    |                    |       |
| B.3 Other changes                              |                    |       |
| <b>C. Decreases</b>                            |                    |       |
| C.1 Derecognition                              |                    |       |
| C.2 Purchase of treasury shares                |                    |       |
| C.3 Disposal of businesses                     |                    |       |
| C.4 Other changes                              |                    |       |
| <b>D. Shares outstanding: closing balance</b>  | <b>134,363,049</b> |       |
| D.1 Treasury shares (+)                        |                    |       |
| D.2 Shares at the end of the year              | 134,363,049        |       |
| - fully paid-up                                | 134,363,049        |       |
| - not fully paid-up                            |                    |       |

## 12.3 Share capital: other information

There is no further information in addition to that already provided in the previous paragraphs.

## 12.4 Profit reserves: other information

In accordance with Article 2427, paragraph 1, No. 7 bis of the Italian Civil Code, the following is a summary of the equity items broken down according to their origin and indicating the possibility of their utilisation and distribution, as well as their utilisation in the three previous financial years.

|                                                                              | 31.12.2023       | Possibility of use |            | Portion available | Utilisations last three financial years |            |
|------------------------------------------------------------------------------|------------------|--------------------|------------|-------------------|-----------------------------------------|------------|
|                                                                              |                  |                    |            |                   | Loss coverage                           | Other uses |
| <b>Share Capital</b>                                                         | <b>70,693</b>    |                    |            |                   |                                         |            |
| <b>Share premiums</b>                                                        | <b>16,145</b>    | <b>A,B,C</b>       | <b>(1)</b> | <b>16,145</b>     |                                         |            |
| <b>Reserves</b>                                                              | <b>1,019,781</b> |                    |            | <b>789,170</b>    |                                         | <b>129</b> |
| Legal reserve                                                                | 119,250          | A,B                | (2)(3)     |                   |                                         |            |
| Statutory reserve                                                            | 687,141          | A,B,C              |            | 687,141           |                                         |            |
| Reserves for intercompany transactions                                       | 8,313            | A,B                | (4)        |                   |                                         |            |
| Reserves for transition to IAS                                               | 121,936          |                    | (5)        |                   |                                         |            |
| FTA IFRS 9 Reserves                                                          | (18,972)         |                    | (5)        |                   |                                         |            |
| Retained earnings (losses) reserve                                           | 98,763           | A,B,C              |            | 98,763            |                                         |            |
| Charity reserve                                                              | 84               |                    | (6)        |                   |                                         | 129        |
| Other                                                                        | 3,266            | A,B,C              |            | 3,266             |                                         |            |
| <b>Valuation reserves</b>                                                    | <b>3,137</b>     |                    |            | <b>697</b>        |                                         |            |
| - financial assets measured at fair value through other comprehensive income | (17,152)         |                    | (7)        |                   |                                         |            |
| - tangible assets                                                            | 95               |                    |            |                   |                                         |            |
| - actuarial valuation of employee severance indemnity                        | (2,872)          |                    | (7)        |                   |                                         |            |
| - special revaluation laws                                                   | 22,369           | A,B                | (8)        |                   |                                         |            |
| - revaluation reserve Law 413/1991                                           | 697              | A,B,C              |            | 697               |                                         |            |
| <b>Total</b>                                                                 | <b>1,109,756</b> |                    |            | <b>806,012</b>    |                                         | <b>129</b> |

**Key:** A = for capital increase B = for loss coverage C = for distribution to shareholders

(1) The share premium reserve, pursuant to Article 2431 of the Italian Civil Code, is considered non-distributable to the extent necessary to supplement the Legal Reserve to the legal minimum (one-fifth of the share capital)

(2) Can only be used for capital increases for the portion exceeding one-fifth of the share capital

(3) Establishment of restriction for tax purposes due to the realignment of tax values to higher carrying amount in the amount of Euro 31,640 thousand

(4) Reserves arising from intra-group business combinations

(5) The reserves for IAS/IFRS application follow the provisions of Article 7 of Legislative Decree No. 38/2005

(6) Reserve for contributions for socio-cultural purposes as set forth in the Articles of Association

(7) Reserve not available pursuant to Article 6 of Legislative Decree No. 38/2005

(8) Reserve set up upon first application of the IAS/IFRS, due to the valuation at "presumed cost" of tangible assets; according to the provisions of the "IAS decree"

## 12.5 Equity instruments: breakdown and changes in the year

In Banco Desio there are no types of this kind.

## 12.6 Other information

No further information is reported beyond that already provided in this Section.

## OTHER INFORMATION

### 1. Commitments and financial guarantees given (other than those designated at fair value)

|                                         | Nominal value on commitments and financial guarantees given |                |               |                                  | 31.12.2023       | 31.12.2022       |
|-----------------------------------------|-------------------------------------------------------------|----------------|---------------|----------------------------------|------------------|------------------|
|                                         | First stage                                                 | Second stage   | Third stage   | Impaired purchased or originated |                  |                  |
| <b>1. Commitments to disburse funds</b> | <b>3,261,420</b>                                            | <b>132,917</b> | <b>19,382</b> | <b>-</b>                         | <b>3,413,719</b> | <b>3,102,382</b> |
| a) Central banks                        | -                                                           | -              | -             | -                                | -                | -                |
| b) Public administrations               | 76,844                                                      | -              | -             | -                                | 76,844           | 56,987           |
| c) Banks                                | 10,802                                                      | -              | -             | -                                | 10,802           | 7,284            |
| d) Other financial companies            | 179,767                                                     | 6,401          | -             | -                                | 186,168          | 154,981          |
| e) Non-financial companies              | 2,798,772                                                   | 116,952        | 18,524        | -                                | 2,934,248        | 2,685,516        |
| f) Households                           | 195,235                                                     | 9,564          | 858           | -                                | 205,657          | 197,614          |
| <b>2. Financial guarantees given</b>    | <b>18,324</b>                                               | <b>2,254</b>   | <b>600</b>    | <b>-</b>                         | <b>21,178</b>    | <b>37,094</b>    |
| a) Central banks                        | -                                                           | -              | -             | -                                | -                | -                |
| b) Public administrations               | -                                                           | -              | -             | -                                | -                | -                |
| c) Banks                                | 32                                                          | -              | -             | -                                | 32               | 32               |
| d) Other financial companies            | 2,778                                                       | -              | -             | -                                | 2,778            | 2,801            |
| e) Non-financial companies              | 12,874                                                      | 1,980          | 537           | -                                | 15,391           | 30,004           |
| f) Households                           | 2,640                                                       | 274            | 63            | -                                | 2,977            | 4,257            |

## 2. Other commitments and other guarantees given

|                                  | Nominal value  | Nominal value  |
|----------------------------------|----------------|----------------|
|                                  | 31.12.2023     | 31.12.2022     |
| <b>1. Other guarantees given</b> | <b>217,422</b> | <b>219,801</b> |
| of which: impaired               | 3,889          | 2,883          |
| a) Central banks                 | -              | -              |
| b) Public administrations        | 46             | 48             |
| c) Banks                         | 5,495          | 5,773          |
| d) Other financial companies     | 2,275          | 1,871          |
| e) Non-financial companies       | 193,783        | 195,420        |
| f) Households                    | 15,823         | 16,689         |
| <b>2. Other commitments</b>      |                |                |
| of which: impaired               | -              | -              |
| a) Central banks                 | -              | -              |
| b) Public administrations        | -              | -              |
| c) Banks                         | -              | -              |
| d) Other financial companies     | -              | -              |
| e) Non-financial companies       | -              | -              |
| f) Households                    | -              | -              |

## 3. Assets pledged to secure own liabilities and commitments

| Portfolios                                                                    | 31.12.2023 | 31.12.2022 |
|-------------------------------------------------------------------------------|------------|------------|
| 1. Financial assets measured at fair value through profit or loss             | -          | -          |
| 2. Financial assets measured at fair value through other comprehensive income | 382,219    | 149,677    |
| 3. Financial assets measured at amortised cost                                | 4,663,076  | 6,152,993  |
| 4. Tangible assets                                                            | -          | -          |
| of which: tangible assets constituting inventories                            | -          | -          |

Item “3. Financial assets measured at amortised cost” are represented by the loans sold to Società Veicolo Desio OBG Srl constituting eligible assets for the programme for the issue of Guaranteed Bank Bonds (OBG), the loans collateralised with the ECB through the A.Ba.Co procedure.

#### 4. Management and intermediation for third parties

| Type of services                                                                                                      | 31.12.2023        |
|-----------------------------------------------------------------------------------------------------------------------|-------------------|
| <b>1. Execution of orders on behalf of customers</b>                                                                  | -                 |
| a) purchases                                                                                                          | -                 |
| 1. settled                                                                                                            | -                 |
| 2. not settled                                                                                                        | -                 |
| b) sales                                                                                                              | -                 |
| 1. settled                                                                                                            | -                 |
| 2. not settled                                                                                                        | -                 |
| <b>2. Individual portfolio management</b>                                                                             | <b>1,726,138</b>  |
| <b>3. Custody and administration of securities</b>                                                                    | <b>30,173,520</b> |
| a) third-party securities on deposit: associated with activities as a custodian bank (excluding portfolio management) | -                 |
| 1. securities issued by the reporting bank                                                                            | -                 |
| 2. other securities                                                                                                   | -                 |
| b) third-party securities on deposit (excluding portfolio management): other                                          | 12,882,701        |
| 1. securities issued by the reporting bank                                                                            | 784,662           |
| 2. other securities                                                                                                   | 12,098,039        |
| c) third-party securities deposited with third parties                                                                | 12,864,931        |
| d) own securities deposited with third parties                                                                        | 4,425,888         |
| <b>4. Other transactions</b>                                                                                          | -                 |

#### 5. Financial assets subject to offsetting in the financial statements, or subject to netting framework agreements or similar agreements

| Technical forms          | Gross amount of financial assets (a) | Amount of financial liabilities offset in the financial statements (b) | Net amount of financial assets reported in the financial statements (c=a-b) | Related amounts not subject to offsetting in the financial statements |                                         | Net amount (f=c-d-e)<br>31.12.2023 | Net amount<br>31.12.2022 |
|--------------------------|--------------------------------------|------------------------------------------------------------------------|-----------------------------------------------------------------------------|-----------------------------------------------------------------------|-----------------------------------------|------------------------------------|--------------------------|
|                          |                                      |                                                                        |                                                                             | Financial instruments (d)                                             | Cash deposits received in guarantee (e) |                                    |                          |
| 1. Derivatives           | 7,339                                | -                                                                      | 7,339                                                                       | -                                                                     | 7,339                                   | -                                  | 4,244                    |
| 2. Repurchase agreements | -                                    | -                                                                      | -                                                                           | -                                                                     | -                                       | -                                  | -                        |
| 3. Securities lending    | -                                    | -                                                                      | -                                                                           | -                                                                     | -                                       | -                                  | -                        |
| 4. Other                 | -                                    | -                                                                      | -                                                                           | -                                                                     | -                                       | -                                  | -                        |
| <b>Total 31.12.2023</b>  | <b>7,339</b>                         | <b>-</b>                                                               | <b>7,339</b>                                                                | <b>-</b>                                                              | <b>7,339</b>                            | <b>-</b>                           |                          |
| <b>Total 31.12.2022</b>  | <b>60,750</b>                        | <b>-</b>                                                               | <b>60,750</b>                                                               | <b>-</b>                                                              | <b>56,506</b>                           | <b>-</b>                           | <b>4,244</b>             |

**6. Financial liabilities subject to offsetting in the financial statements, or subject to netting framework agreements or similar agreements**

| Technical forms          | Gross amount of financial liabilities (a) | Amount of financial assets offset in the financial statements (b) | Net amount of financial liabilities reported in the financial statements (c=a-b) | Related amounts not subject to offsetting in the financial statements |                                        | Net amount (f=c-d-e)<br><br>31.12.2023 | Net amount<br><br>31.12.2022 |
|--------------------------|-------------------------------------------|-------------------------------------------------------------------|----------------------------------------------------------------------------------|-----------------------------------------------------------------------|----------------------------------------|----------------------------------------|------------------------------|
|                          |                                           |                                                                   |                                                                                  | Financial instruments (d)                                             | Cash deposits placed as collateral (e) |                                        |                              |
| 1. Derivatives           | -                                         | -                                                                 | -                                                                                | -                                                                     | -                                      | -                                      | 61                           |
| 2. Repurchase agreements | -                                         | -                                                                 | -                                                                                | -                                                                     | -                                      | -                                      | -                            |
| 3. Securities lending    | -                                         | -                                                                 | -                                                                                | -                                                                     | -                                      | -                                      | -                            |
| 4. Other                 | -                                         | -                                                                 | -                                                                                | -                                                                     | -                                      | -                                      | -                            |
| <b>Total</b>             | <b>31.12.2023</b>                         | -                                                                 | -                                                                                | -                                                                     | -                                      | -                                      | -                            |
| <b>Total</b>             | <b>31.12.2022</b>                         | <b>253</b>                                                        | -                                                                                | <b>253</b>                                                            | -                                      | <b>192</b>                             | <b>61</b>                    |

Tables 5 and 6 show the positive fair values (Table 5 column (a) "Gross amount of financial assets" and (c) "Net amount of financial assets reported in the financial statements") and negative fair values (Table 6 column (a) "Gross amount of financial assets" and (c) "Net amount of financial assets reported in the financial statements") of derivatives for which Credit Support Annex Agreements (ISDA) are in place. These agreements, while not meeting all the requirements of IAS 32 paragraph 42 for offsetting in the financial statements, provide for mechanisms to mitigate the risk of counterparty default by exchanging collateral on time deposits and allow for the offsetting of credit and debit positions relating to financial and credit derivatives upon the occurrence of certain events such as counterparty default. In line with the provisions of IFRS 7 and the latest provisions on the rules for the preparation of bank financial statements, the following was taken into account when completing the tables:

- the effects of potential offsetting of the countervalues of the financial statements of financial assets and liabilities, indicated in column (d) "Financial Instruments";
- the effects of the potential offsetting of exposures with cash collateral, indicated in column (e) "Cash deposits received as collateral".

These effects are recognised for counterparties with which a netting framework agreement is in place up to the amount reported in column (c) "Net amount of financial assets reported in the financial statements".

## PART C - INFORMATION ON THE INCOME STATEMENT

### Section 1 - Interest - Items 10 and 20

#### 1.1 Interest and similar income: breakdown

| Items/technical forms                                                                | Debt securities | Loans          | Other transactions | 31.12.2023     | 31.12.2022     |
|--------------------------------------------------------------------------------------|-----------------|----------------|--------------------|----------------|----------------|
| <b>1. Financial assets measured at fair value through profit or loss:</b>            | <b>550</b>      | <b>-</b>       | <b>-</b>           | <b>550</b>     | <b>750</b>     |
| 1.1 Financial assets held for trading                                                | 549             | -              | -                  | 549            | 736            |
| 1.2 Financial assets designated at fair value                                        | -               | -              | -                  | -              | -              |
| 1.3 Other financial assets mandatorily measured at fair value                        | 1               | -              | -                  | 1              | 14             |
| <b>2. Financial assets measured at fair value through other comprehensive income</b> | <b>18,706</b>   | <b>-</b>       | <b>X</b>           | <b>18,706</b>  | <b>4,279</b>   |
| <b>3. Financial assets measured at amortised cost:</b>                               | <b>69,581</b>   | <b>456,011</b> | <b>-</b>           | <b>525,592</b> | <b>262,045</b> |
| 3.1 Loans with banks                                                                 | 15,576          | 66,442         | X                  | 82,018         | 15,032         |
| 3.2 Loans to customers                                                               | 54,005          | 389,569        | X                  | 443,574        | 247,013        |
| <b>4. Hedging derivatives</b>                                                        | <b>X</b>        | <b>X</b>       | <b>8,423</b>       | <b>8,423</b>   | <b>-</b>       |
| <b>5. Other assets</b>                                                               | <b>X</b>        | <b>X</b>       | <b>19,617</b>      | <b>19,617</b>  | <b>9,220</b>   |
| <b>6. Financial liabilities</b>                                                      | <b>X</b>        | <b>X</b>       | <b>X</b>           | <b>21</b>      | <b>20,254</b>  |
| <b>Total</b>                                                                         | <b>88,837</b>   | <b>456,011</b> | <b>28,040</b>      | <b>572,909</b> | <b>296,548</b> |
| of which: interest income on impaired financial assets                               | -               | 301            | -                  | 301            | 135            |
| of which: interest income on finance lease                                           | X               | 7,653          | X                  | 7,653          | 2,997          |

The balance at 31 December 2023 of the item, compared to the comparative period, is affected positively by the inclusion in the portfolio of the positions acquired following the acquisition of the two business units from the BPER Group in the Lanternina Transaction and the dynamics of market rates.

Interest on "Financial assets at amortised cost" is shown net of interest on arrears accrued and not collected in the reporting period on impaired assets, because it is only recognised in the financial statements when collected. Overall, interest of this kind accrued at year-end amounted to Euro 5,576 thousand (Euro 2,354 thousand last year). The item includes interest on arrears referring to previous years and collected in the year totalled Euro 382 thousand (Euro 362 thousand last year).

This item includes interest paid on loans from the subsidiary Fides S.p.A. totalling Euro 18,772 thousand (Euro 13,568 thousand last year).

Item "5. Other assets" mainly includes the revenues related to Eco and Sismabonus tax credits recognised by the Bank following their assignment by customers, the remuneration for which is recognised in interest income over the recovery period of the credits.

Item "6. Financial liabilities" include interest income on repurchase agreements; at 31 December 2022, this item included, in addition to said interest income on repurchase agreements, also the interest accrued on TLTRO III loans obtained from the Eurosystem and recognised at the effective interest rate according to the amortised cost criterion for Euro 17,384 thousand.



## 1.2 Interest and similar income: other information

### 1.2.1 Interest income on financial assets in foreign currency

| Items                                                   | 31.12.2023 | 31.12.2022 |
|---------------------------------------------------------|------------|------------|
| Interest income on financial assets in foreign currency | 2,798      | 1,046      |

### 1.2.2 Interest income on financial lease transactions

Total interest income recognised as income for the year, included in the item "Loans to customers - loans", amounted to Euro 7,629 thousand (Euro 2,993 thousand last year); of this amount, Euro 7,182 thousand related to index-linked agreements, of which Euro 257 thousand related to leaseback agreements (in 2022, Euro 2,803 thousand related to index-linked agreements, of which Euro 126 thousand related to leaseback agreements).

Financial profits accruing in subsequent years amounted to Euro 13,195 thousand, of which Euro 735 thousand on leaseback agreements (last year: Euro 14,600 thousand and Euro 1,310 thousand respectively).

## 1.3 Interest and similar expense: breakdown

| Items/technical forms                               | Payables         | Securities      | Other transactions | 31.12.2023       | 31.12.2022      |
|-----------------------------------------------------|------------------|-----------------|--------------------|------------------|-----------------|
| 1. Financial liabilities measured at amortised cost | (206,262)        | (28,653)        | X                  | (234,915)        | (29,364)        |
| 1.1 Payables to central banks                       | (92,540)         | X               | X                  | (92,540)         | -               |
| 1.2 Payables to banks                               | (19,365)         | X               | X                  | (19,365)         | (968)           |
| 1.3 Payables to customers                           | (94,357)         | X               | X                  | (94,357)         | (15,070)        |
| 1.4 Securities outstanding                          | X                | (28,653)        | X                  | (28,653)         | (13,326)        |
| 2. Financial liabilities held for trading           | -                | -               | -                  | -                | -               |
| 3. Financial liabilities designated at fair value   | -                | -               | -                  | -                | -               |
| 4. Other liabilities and provisions                 | X                | X               | (1,652)            | (1,652)          | (314)           |
| 5. Hedging derivatives                              | X                | X               | -                  | -                | (4,822)         |
| 6. Financial assets                                 | X                | X               | X                  | (360)            | (5,366)         |
| <b>Total</b>                                        | <b>(206,262)</b> | <b>(28,653)</b> | <b>(1,652)</b>     | <b>(236,927)</b> | <b>(39,866)</b> |
| of which: interest expense on lease payables        | (1,141)          | X               | X                  | (1,141)          | (693)           |

In item "1.1 - Payables to central banks, interest expenses accrued on TLTRO III loans obtained from the Eurosystem are recognised at the effective interest rate according to the amortised cost method.

The changes in items "1.2 - Payables to banks", and "1.4 Securities outstanding are mainly attributable to the interest rate dynamics in 2023.

The change in item "1.3 - Payables to customers" in particular is influenced not only by the dynamics of interest rates, but also by the entry of new funding positions acquired following the acquisition of the two business units from the BPER Group in the so-called Lanternina Transaction, which therefore generated the accrual of further interest expenses.

Item "6. Financial assets" include interest expense on securities in the held-to-collect & sell portfolio in the amount of Euro 361 thousand (Euro 341 thousand in the previous year). The change compared to the previous year is attributable to the zeroing of interest rates payable on the Bank of Italy reserve account linked to the reversal of interest rate trends in 2023 compared to previous periods.

#### 1.4 Interest and similar expense: other information

##### 1.4.1 Interest expense on liabilities in foreign currency

| Items                                                         | 31.12.2023 | 31.12.2022 |
|---------------------------------------------------------------|------------|------------|
| Interest expense on financial liabilities in foreign currency | (872)      | (236)      |

##### 1.4.2 Interest expense on financial lease transactions

Banco Desio has no finance lease contracts in place that generate interest expense.

#### 1.5 Differentials relating to hedging transactions

| Items                                                      | 31.12.2023   | 31.12.2022     |
|------------------------------------------------------------|--------------|----------------|
| A. Positive differentials relating to hedging transactions | 8,423        | 1,258          |
| B. Negative differentials relating to hedging transactions | -            | (6,080)        |
| <b>C. Balance (A-B)</b>                                    | <b>8,423</b> | <b>(4,822)</b> |

## Section 2 - Commissions - Items 40 and 50

### 2.1 Commission income: breakdown

| Type of services/Values                                                        | 31.12.2023     | 31.12.2022     |
|--------------------------------------------------------------------------------|----------------|----------------|
| a) Financial instruments                                                       | 19,683         | 18,167         |
| 1. Placement of securities                                                     | 3,415          | 2,695          |
| 1.1 On a firm and/or irrevocable commitment basis                              | -              | -              |
| 1.2 Without irrevocable commitment                                             | 3,415          | 2,695          |
| 2. Receiving and sending orders and execution of orders on behalf of customers | 5,682          | 4,952          |
| 2.1 Receiving and sending orders for one or more financial instruments         | 5,682          | 4,952          |
| 2.2 Execution of orders on behalf of customers                                 | -              | -              |
| 3. Other commissions related to activities linked to financial instruments     | 10,586         | 10,520         |
| of which: trading on own account                                               | -              | -              |
| of which: individual portfolio management                                      | 10,586         | 10,520         |
| b) Corporate Finance                                                           | -              | -              |
| 1. Mergers and acquisitions advisory services                                  | -              | -              |
| 2. Treasury services                                                           | -              | -              |
| 3. Other commissions related to corporate finance services                     | -              | -              |
| c) Investment advisory activities                                              | -              | -              |
| d) Compensation and settlement                                                 | -              | -              |
| e) Custody and administration                                                  | 1,966          | 1,734          |
| 1. Custodian bank                                                              | -              | -              |
| 2. Other commissions related to custody and administration activities          | 1,966          | 1,734          |
| f) Central administrative services for collective portfolio management         | -              | -              |
| g) Fiduciary business                                                          | -              | -              |
| h) Payment services                                                            | 115,224        | 103,834        |
| 1. Current accounts                                                            | 85,299         | 78,576         |
| 2. Credit cards                                                                | 2,779          | 2,430          |
| 3. Debit cards and other payment cards                                         | 6,238          | 4,928          |
| 4. Bank transfers and other payment orders                                     | 12,629         | 9,812          |
| 5. Other fees related to payment services                                      | 8,279          | 8,088          |
| i) Distribution of third-party services                                        | 68,735         | 65,153         |
| 1. Collective portfolio management                                             | 35,280         | 31,654         |
| 2. Insurance products                                                          | 28,388         | 28,597         |
| 3. Other products                                                              | 5,067          | 4,902          |
| of which: individual portfolio management                                      | 327            | 352            |
| j) Structured finance                                                          | -              | -              |
| k) Servicing activities for securitisation transactions                        | -              | -              |
| l) Commitments to disburse funds                                               | -              | -              |
| m) Financial guarantees given                                                  | 2,495          | 2,348          |
| of which: credit derivatives                                                   | -              | -              |
| n) Financing operations                                                        | 2,236          | 2,130          |
| of which: for factoring transactions                                           | 2,236          | 2,130          |
| o) Currency trading                                                            | 1,636          | 1,216          |
| p) Goods                                                                       | -              | -              |
| q) Other commission income                                                     | 9,664          | 8,863          |
| of which: for management of multilateral trading systems                       | -              | -              |
| of which: for management of organised trading systems                          | -              | -              |
| <b>Total</b>                                                                   | <b>221,639</b> | <b>203,445</b> |

The table is shown net of the amount of Euro 1,801 thousand related to the economic components referring to the business unit transferred to Worldline Italia, reclassified pursuant to IFRS 5 under the item "Profit/loss from discontinued operations after taxes". With reference to the year of comparison, again in accordance with IFRS 5, the value related to the same components reclassified in the item "Profit/Loss from discontinued operations after taxes" was Euro 9,543 thousand.

The item "i) Distribution of third-party services" includes the commissions recognised by the subsidiary Fides S.p.A. for Euro 6,390 thousand (Euro 7,460 thousand last year).

Commissions for "distribution of third-party services - other products" refer to consumer credit for Euro 4,043 thousand (Euro 3,653 thousand in the comparison period).

Fees relating to "financing operations" include fees for factoring transactions.

The item for "other commission income" includes fees for the internet banking service of Euro 2,141 thousand (Euro 1,956 thousand last year) and recovery of expenses on mortgage instalment collections of Euro 1,724 thousand (Euro 1,609 thousand last year), fees for the safe deposit box rental service of Euro 740 thousand (Euro 602 thousand last year), customer securities trading of Euro 1,114 thousand (Euro 1,013 thousand last year) and fees for business promotion contracts of Euro 1,649 thousand (Euro 1,920 thousand last year).

## 2.2 Commission income: distribution channels of products and services

| Channels/Values                      | 31.12.2023 | 31.12.2022 |
|--------------------------------------|------------|------------|
| a) at own branches:                  | 82,735     | 78,368     |
| 1. portfolio management              | 10,586     | 10,520     |
| 2. placement of securities           | 3,415      | 2,695      |
| 3. third-party services and products | 68,734     | 65,153     |
| b) off-premises offer:               | -          | -          |
| 1. portfolio management              | -          | -          |
| 2. placement of securities           | -          | -          |
| 3. third-party services and products | -          | -          |
| c) other distribution channels:      | -          | -          |
| 1. portfolio management              | -          | -          |
| 2. placement of securities           | -          | -          |
| 3. third-party services and products | -          | -          |

### 2.3 Commission expenses: breakdown

| Services/Values                                                       | 31.12.2023      | 31.12.2022     |
|-----------------------------------------------------------------------|-----------------|----------------|
| a) Financial instruments                                              | (363)           | (269)          |
| of which: trading of financial instruments                            | (363)           | (267)          |
| of which: placement of financial instruments                          | -               | (2)            |
| of which: individual portfolio management                             | -               | -              |
| - Own                                                                 | -               | -              |
| - Delegated to third parties                                          | -               | -              |
| d) Compensation and settlement                                        | -               | -              |
| c) Custody and administration                                         | (1,360)         | (1,143)        |
| d) Collection and payment services                                    | (2,179)         | (2,005)        |
| of which: credit cards, debit cards and other payment cards           | (658)           | (526)          |
| e) Servicing activities for securitisation transactions               | -               | -              |
| f) Commitments to receive funds                                       | -               | -              |
| g) Financial guarantees received                                      | (1,113)         | (642)          |
| of which: credit derivatives                                          | -               | -              |
| h) Off-premises offer of financial instruments, products and services | (5,183)         | (3,916)        |
| i) Currency trading                                                   | -               | -              |
| j) Other commission expenses                                          | (1,830)         | (855)          |
| <b>Total</b>                                                          | <b>(12,028)</b> | <b>(8,830)</b> |

The item "Other commission expenses" mainly includes commissions on securities lending transactions with the subsidiary Fides for Euro 719 thousand and commissions paid for introducing customers and providing loans to them in the amount of Euro 209 thousand (Euro 149 thousand last year).

### Section 3 - Dividends and similar income - Item 70

#### 3.1 Dividends and similar income: breakdown

| Items/Income                                                                  | 31.12.2023   |                | 31.12.2022   |                |
|-------------------------------------------------------------------------------|--------------|----------------|--------------|----------------|
|                                                                               | Dividends    | Similar income | Dividends    | Similar income |
| A. Financial assets held for trading                                          | 147          | -              | 143          | -              |
| B. Other financial assets mandatorily measured at fair value                  | -            | -              | -            | -              |
| C. Financial assets measured at fair value through other comprehensive income | 453          | -              | 458          | -              |
| D. Investments                                                                | 2,810        | -              | 5,499        | -              |
| <b>Total</b>                                                                  | <b>3,410</b> | <b>-</b>       | <b>6,100</b> | <b>-</b>       |

The table shows not only the amount of dividends received from subsidiaries, but also dividends on minority interests classified as "*Financial assets measured at fair value through other comprehensive income*" and dividends on equity securities classified as 'Financial assets held for trading'.

Dividends collected on investments, under item "D. Investments", refer for Euro 2,781 thousand to the subsidiary Fides S.p.A. and for Euro 29 thousand to the associate Anthilia.

## Section 4 - Net trading result - Item 80

### 4.1 Net trading result: breakdown

| Transactions/Income components                                        | Gains<br>(A) | Trading gains<br>(B) | Losses<br>(C)  | Trading losses<br>(D) | Net result [(A+B)-<br>(C+D)] |
|-----------------------------------------------------------------------|--------------|----------------------|----------------|-----------------------|------------------------------|
| <b>1. Financial assets held for trading</b>                           | <b>133</b>   | <b>2,419</b>         | <b>(613)</b>   | <b>(283)</b>          | <b>1,656</b>                 |
| 1.1 Debt securities                                                   | 22           | 1,334                | -              | (158)                 | 1,198                        |
| 1.2 Equity securities                                                 | 111          | 910                  | (604)          | (125)                 | 292                          |
| 1.3 UCITS units                                                       | -            | 79                   | (9)            | -                     | 70                           |
| 1.4 Loans                                                             | -            | -                    | -              | -                     | -                            |
| 1.5 Other                                                             | -            | 96                   | -              | -                     | 96                           |
| <b>2. Financial liabilities held for trading</b>                      | <b>-</b>     | <b>-</b>             | <b>-</b>       | <b>-</b>              | <b>-</b>                     |
| 2.1 Debt securities                                                   | -            | -                    | -              | -                     | -                            |
| 2.2 Payables                                                          | -            | -                    | -              | -                     | -                            |
| 2.3 Other                                                             | -            | -                    | -              | -                     | -                            |
| <b>3. Financial assets and liabilities: exchange rate differences</b> | <b>X</b>     | <b>X</b>             | <b>X</b>       | <b>X</b>              | <b>3,231</b>                 |
| <b>4. Derivative instruments</b>                                      | <b>3,255</b> | <b>12,849</b>        | <b>(2,174)</b> | <b>(14,448)</b>       | <b>(490)</b>                 |
| 4.1 Financial derivatives:                                            | 3,255        | 12,849               | (2,174)        | (14,448)              | (490)                        |
| - On debt securities and interest rates                               | 3,236        | 6,021                | (2,174)        | (6,892)               | 191                          |
| - On equity securities and stock indices                              | 19           | 6,828                | -              | (7,556)               | (709)                        |
| - On currencies and gold                                              | X            | X                    | X              | X                     | 28                           |
| - Other                                                               | -            | -                    | -              | -                     | -                            |
| 4.2 Credit derivatives                                                | -            | -                    | -              | -                     | -                            |
| of which: natural hedges related to the fair value option             | X            | X                    | X              | X                     | -                            |
| <b>Total</b>                                                          | <b>3,388</b> | <b>15,268</b>        | <b>(2,787)</b> | <b>(14,731)</b>       | <b>4,397</b>                 |

Item "1. Financial assets held for trading" and "4. Derivative instruments" shows the economic result attributable to financial assets held for trading.

Item "3 Financial assets and liabilities: exchange rate differences" shows the positive (or negative) balance of changes in the value of financial assets and liabilities denominated in foreign currencies, other than those held for trading purposes.

Item "4. Derivative Instruments" includes the effects of derivatives subscribed by customers with the related "mirror" derivatives subscribed by the Bank and the effect of discontinuing derivatives (in previous years) originally classified as hedging derivatives; it is noted that the derivatives subject to discontinuing during 2023 have been closed.

## Section 5 - Net hedging result - Item 90

### 5.1 Net hedging result: breakdown

| Income components/Values                         | 31.12.2023      | 31.12.2022      |
|--------------------------------------------------|-----------------|-----------------|
| <b>A. Income related to:</b>                     |                 |                 |
| A.1 Fair value hedging derivatives               | 14,415          | 60,156          |
| A.2 Hedged financial assets (fair value)         | 46,485          | -               |
| A.3 Hedged financial liabilities (fair value)    | -               | -               |
| A.4 Cash flow hedging financial derivatives      | -               | -               |
| A.5 Assets and liabilities in foreign currencies | -               | -               |
| <b>Total hedging income (A)</b>                  | <b>60,900</b>   | <b>60,156</b>   |
| <b>B. Expenses related to:</b>                   |                 |                 |
| B.1 Fair value hedging derivatives               | (56,625)        | -               |
| B.2 Hedged financial assets (fair value)         | -               | (60,645)        |
| B.3 Hedged financial liabilities (fair value)    | -               | -               |
| B.4 Cash flow hedging financial derivatives      | -               | (3)             |
| B.5 Assets and liabilities in foreign currencies | -               | -               |
| <b>Total hedging expenses (B)</b>                | <b>(56,625)</b> | <b>(60,648)</b> |
| <b>C. Net hedging result (A - B)</b>             | <b>4,275</b>    | <b>(492)</b>    |
| 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.

The item "A.2 Hedged financial assets (fair value)" reflects the positive effect of hedging on this item in contrast to its (negative) result in the comparison period.



## Section 6 - Gains (Losses) on sale/repurchase - Item 100

### 6.1 Gains (Losses) on sale/repurchase: breakdown

| Items/Income components                                                       | 31.12.2023   |                 |                | 31.12.2022    |                 |                |
|-------------------------------------------------------------------------------|--------------|-----------------|----------------|---------------|-----------------|----------------|
|                                                                               | Profits      | Losses          | Net result     | Profits       | Losses          | Net result     |
| <b>Financial assets</b>                                                       |              |                 |                |               |                 |                |
| 1. Financial assets measured at amortised cost                                | 7,079        | (15,005)        | (7,926)        | 13,788        | (17,780)        | (3,992)        |
| 1.1 Loans with banks                                                          | 179          | -               | 179            | 375           | -               | 375            |
| 1.2 Loans to customers                                                        | 6,900        | (15,005)        | (8,105)        | 13,413        | (17,780)        | (4,367)        |
| 2. Financial assets measured at fair value through other comprehensive income | 2,580        | (560)           | 2,020          | 692           | (97)            | 595            |
| 2.1 Debt securities                                                           | 2,580        | (560)           | 2,020          | 692           | (97)            | 595            |
| 2.2 Loans                                                                     | -            | -               | -              | -             | -               | -              |
| <b>Total assets</b>                                                           | <b>9,659</b> | <b>(15,565)</b> | <b>(5,906)</b> | <b>14,480</b> | <b>(17,877)</b> | <b>(3,397)</b> |
| <b>Financial liabilities measured at amortised cost</b>                       |              |                 |                |               |                 |                |
| 1. Payables to banks                                                          | -            | -               | -              | -             | -               | -              |
| 2. Payables to customers                                                      | -            | -               | -              | -             | -               | -              |
| 3. Securities issued                                                          | 544          | -               | 544            | 18            | -               | 18             |
| <b>Total liabilities</b>                                                      | <b>544</b>   | <b>-</b>        | <b>544</b>     | <b>18</b>     | <b>-</b>        | <b>18</b>      |

This item includes the economic result from the sale of financial assets not included among those held for trading and among those measured at fair value through profit or loss, as well as the result from the repurchase of own securities.

Item "1.2 Loans to customers" also includes the results of the sale of non-performing loans.

Item "2. Financial assets measured at fair value through other comprehensive income" represents the economic effect of sales during the year, including the release of the related valuation reserves before the tax effect.

With reference to financial liabilities, under item "3. Securities issued" shows the result of gains/losses from the repurchase of own bonds.

## Section 7 - Net result of other financial assets and liabilities measured at fair value through profit or loss - Item 110

### 7.2 Net change in value of other financial assets and liabilities measured at fair value through profit or loss: breakdown of other financial assets mandatorily measured at fair value

| Transactions/Income components                        | Gains<br>(A) | Realised gains<br>(B) | Losses<br>(C)  | Realised losses<br>(D) | Net result [(A+B) -<br>(C+D)] |
|-------------------------------------------------------|--------------|-----------------------|----------------|------------------------|-------------------------------|
| <b>1. Financial assets</b>                            | <b>1,754</b> | <b>14</b>             | <b>(9,604)</b> | <b>-</b>               | <b>(7,836)</b>                |
| 1.1 Debt securities                                   | 5            | -                     | (636)          | -                      | (631)                         |
| 1.2 Equity securities                                 | -            | -                     | (422)          | -                      | (422)                         |
| 1.3 UCITS units                                       | 1,749        | 14                    | (8,546)        | -                      | (6,783)                       |
| 1.4 Loans                                             | -            | -                     | -              | -                      | -                             |
| <b>2. Financial assets: exchange rate differences</b> | <b>X</b>     | <b>X</b>              | <b>X</b>       | <b>X</b>               | <b>-</b>                      |
| <b>Total</b>                                          | <b>1,754</b> | <b>14</b>             | <b>(9,604)</b> | <b>-</b>               | <b>(7,836)</b>                |

This item consists of the result of financial instruments that are mandatorily measured at fair value through profit or loss, even if not held for trading, due to the failure to pass the SPPI (Solely payments of principal and interests) test required by IFRS 9 Financial Instruments. This item consists mainly of UCITS that by their nature do not have characteristics compatible with passing the test.

## Section 8 - Net value adjustments/reversals for credit risk - Item 130

### 8.1 Net value adjustments for credit risk related to financial assets measured at amortised cost: breakdown

| Transactions/Income components | Value adjustments (1) |              |             |          |                                  |       |             |              | Reversals (2) |                                  | 31.12.2023 | 31.12.2022 |
|--------------------------------|-----------------------|--------------|-------------|----------|----------------------------------|-------|-------------|--------------|---------------|----------------------------------|------------|------------|
|                                | 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            | (77)                  | -            | -           | -        | -                                | -     | -           | -            | -             | -                                | (77)       | (785)      |
| - Loans                        | (65)                  | -            | -           | -        | -                                | -     | -           | -            | -             | -                                | (65)       | (98)       |
| - Debt securities              | (12)                  | -            | -           | -        | -                                | -     | -           | -            | -             | -                                | (12)       | (687)      |
| B. Loans to customers          | (3,444)               | (6,378)      | (605)       | (65,625) | -                                | -     | -           | -            | 18,856        | -                                | (57,196)   | (40,684)   |
| - Loans                        | (1,535)               | (3,919)      | (605)       | (65,625) | -                                | -     | -           | -            | 18,856        | -                                | (52,828)   | (38,557)   |
| - Debt securities              | (1,909)               | (2,459)      | -           | -        | -                                | -     | -           | -            | -             | -                                | (4,368)    | (2,127)    |
| Total                          | (3,521)               | (6,378)      | (605)       | (65,625) | -                                | -     | -           | -            | 18,856        | -                                | (57,273)   | (41,469)   |

This item includes value adjustments and reversals recorded for the credit risk of assets measured at amortised cost (portfolio loans with banks and to customers including debt securities).

With reference to "Value adjustments", the figure in the "Write-offs" column records losses on the definitive derecognition of loans classified as bad loans.

The "Value Adjustments - Third Stage", determined by the analytical assessment of the probability of recovery on non-performing loans and the discounting of expected cash flows, refer to:

- bad loans of Euro 23,498 thousand (formerly 24,972)
- unlikely to pay of Euro 40,001 thousand (formerly 30,492)
- past-due exposures of Euro 2,126 thousand (formerly 558)

"Value adjustments - First and Second Stages" are determined on the amount of the performing loan portfolio.

The "Reversals - Third Stage" refer to:

- bad loans amortised in previous years and with actual recoveries higher than expected for Euro 433 thousand (formerly Euro 164 thousand)
- collections of loans previously written-down for Euro 11,679 thousand (formerly Euro 8,666 thousand)
- valuation reversals for Euro 6,744 thousand (formerly Euro 7,419 thousand).

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

With regard to the determination of credit losses, in addition to what has already been set forth in the paragraph "Risks, uncertainties and impacts deriving from war conflicts, from the residual effects of the Covid-19 epidemic, from climate risk and from the macroeconomic context" in the previous "Section 5 - Other aspects" contained in "A.1 General part" of "Part A - Accounting policies" above, please refer to

what has been set forth in the paragraph “Methods for measuring expected losses” contained in “Part E - Information on risks and related hedging policies” of these Notes.

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

| Transactions/Income components | Value adjustments (1) |              |             |       |                                  |       | Reversals (2) |              |             |                                  | 31.12.2023 | 31.12.2022 |
|--------------------------------|-----------------------|--------------|-------------|-------|----------------------------------|-------|---------------|--------------|-------------|----------------------------------|------------|------------|
|                                | 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             | (94)                  | -            | -           | -     | -                                | -     | 85            | -            | -           | -                                | (9)        | (160)      |
| B. Loans                       | -                     | -            | -           | -     | -                                | -     | -             | -            | -           | -                                | -          | -          |
| – To customers                 | -                     | -            | -           | -     | -                                | -     | -             | -            | -           | -                                | -          | -          |
| – With banks                   | -                     | -            | -           | -     | -                                | -     | -             | -            | -           | -                                | -          | -          |
| Total                          | (94)                  | -            | -           | -     | -                                | -     | 85            | -            | -           | -                                | (9)        | (160)      |

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

## Section 9 – Gains/(losses) from contractual amendments without derecognition – Item 140

### 9.1 Gains (losses) from contractual amendments: breakdown

This item includes the adjustment made to the carrying amounts of loans to customers that undergo changes in contractual cash flows without giving rise to derecognition in accordance with paragraph 5.4.3 and Appendix A of IFRS9.

## Section 10 - Administrative expenses - Item 160

### 10.1 Personnel expenses: breakdown

| Type of expenses/Values                                                         | 31.12.2023       | 31.12.2022       |
|---------------------------------------------------------------------------------|------------------|------------------|
| 1) Employees                                                                    | (195,717)        | (167,906)        |
| a) wages and salaries                                                           | (126,422)        | (111,961)        |
| b) social security contributions                                                | (33,808)         | (29,388)         |
| c) employee severance indemnity                                                 | -                | -                |
| d) social security expenses                                                     | -                | -                |
| e) provision for employee severance indemnity                                   | (713)            | (391)            |
| f) allocations to the provision for severance benefits and similar obligations: | -                | -                |
| - defined contribution                                                          | -                | -                |
| - defined benefits                                                              | -                | -                |
| g) contributions to external supplementary pension funds:                       | (12,657)         | (10,285)         |
| - defined contribution                                                          | (12,657)         | (10,285)         |
| - defined benefits                                                              | -                | -                |
| h) costs deriving from payment agreements based on own equity instruments       | -                | -                |
| i) other employee benefits                                                      | (22,117)         | (15,881)         |
| 2) Other personnel in activity                                                  | (2,255)          | (1,082)          |
| 3) Directors and Statutory Auditors                                             | (2,806)          | (2,590)          |
| 4) Retired personnel                                                            | -                | -                |
| 5) Recovery of expenses for employees seconded to other companies               | 76               | 69               |
| 6) Reimbursement of expenses for seconded third-party employees at the company  | -                | -                |
| <b>Total</b>                                                                    | <b>(200,702)</b> | <b>(171,509)</b> |

The balance at 31 December 2023 of the item Personnel expenses, compared to the comparative period, was influenced by the entry of new personnel following the acquisition of the two BU from the BPER Group in the so-called Lanternina Transaction as well as the adjustments provided for in the renewal of the national contract for banking workers at the end of the year.

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.

## 10.2 Average number of employees by category

|                           | 31.12.2023   | 31.12.2022   |
|---------------------------|--------------|--------------|
| <b>1) Employees</b>       | <b>2,335</b> | <b>2,070</b> |
| a) managers               | 27           | 28           |
| b) middle managers        | 1,133        | 1,014        |
| c) remaining employees    | 1,175        | 1,028        |
| <b>2) Other personnel</b> | <b>50</b>    | <b>12</b>    |

## 10.4 Other employee benefits

|                                         | 31.12.2023      | 31.12.2022      |
|-----------------------------------------|-----------------|-----------------|
| Appropriation for miscellaneous charges | (14,986)        | (11,083)        |
| Assistance fund contribution            | (2,629)         | (2,292)         |
| Education and training expenses         | (1,087)         | (623)           |
| Building fees for employee use          | (77)            | (71)            |
| Exit incentives                         | (6)             | (305)           |
| Other                                   | (3,332)         | (1,507)         |
| <b>Total</b>                            | <b>(22,117)</b> | <b>(15,881)</b> |

The item "Appropriation for miscellaneous charges" mainly includes the provision for the employee bonus scheme, including the expected charge of about Euro 2.0 million for the "2023 Phantom shares" plan and the negative adjustment of Euro 0.3 million for the "2022 Phantom shares" plan (in the comparative period for the "2022 Phantom shares" plan, an expected charge of Euro 1.9 million had been recognised).

Among the main components of the item "Others", we note mainly the charges relating to the provision of staff catering services (ticket restaurant) for Euro 2,465 thousand (formerly Euro 2,190 thousand) and the charges relating to insurance premiums for Euro 254 thousand (formerly Euro 271 thousand); the comparison period benefited from a release of Euro 834 thousand relating to provisions for holidays (provision of Euro 149 thousand).

### 10.5 Other administrative expenses: breakdown

|                                                | 31.12.2023       | 31.12.2022       |
|------------------------------------------------|------------------|------------------|
| Indirect taxes and duties:                     |                  |                  |
| -Stamp duties                                  | (31,585)         | (26,062)         |
| -Other                                         | (4,091)          | (5,033)          |
| Other expenses:                                |                  |                  |
| -IT expenses                                   | (24,519)         | (20,331)         |
| -Lease of buildings/assets                     | (2,202)          | (1,870)          |
| -Building, furniture and equipment maintenance | (9,259)          | (8,749)          |
| -Postal and telegraph                          | (1,188)          | (1,115)          |
| -Telephony and data transmission               | (5,491)          | (4,972)          |
| -Electricity, heating, water                   | (7,256)          | (6,216)          |
| -Cleaning services                             | (2,454)          | (2,961)          |
| -Printers, stationery and consumables          | (603)            | (356)            |
| -Transport costs                               | (1,247)          | (1,020)          |
| -Travel expenses                               | (2,596)          | (1,009)          |
| -Surveillance and security                     | (1,649)          | (1,426)          |
| -Advertising                                   | (1,515)          | (1,536)          |
| -Information and records                       | (2,249)          | (1,752)          |
| -Insurance premiums                            | (1,427)          | (1,457)          |
| -Legal fees                                    | (3,047)          | (2,807)          |
| -Professional consultancy fees                 | (13,452)         | (12,995)         |
| -Various contributions and donations           | (244)            | (254)            |
| -Miscellaneous expenses                        | (25,950)         | (24,567)         |
| <b>Total</b>                                   | <b>(142,024)</b> | <b>(126,488)</b> |

The item "IT expenses" includes the expenses relating to the maintenance of the Group's IT systems and, compared to the comparative period, increased due to the costs incurred during the year for the IT migration made necessary following the acquisition of the two business units from the BPER Group in the so-called Lanternina Transaction.

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 "Professional consultancy fees" includes fees paid to lawyers and consulting firms that supported the Bank in the "Lanternina project" during 2023 amounting to Euro 3.3 million.

Also included are fees paid to the network to which the auditing firm KPMG S.p.A. belongs for services rendered to the Bank, as summarised below according to the different types of services.

| Type of services                         | Service provider     | Fees<br>(Euro thousands) |
|------------------------------------------|----------------------|--------------------------|
| Audit                                    | KPMG S.p.A.          | 505.1                    |
| Certification services                   | KPMG S.p.A.          | 156.9                    |
| Other services:                          |                      |                          |
| - Risk Management methodological support | KPMG Advisory S.p.A. | 250.0                    |
| <b>Total</b>                             |                      | <b>912.0</b>             |

The fees shown are net of expenses, the CONSOB contribution (where due) and VAT.

The item "Miscellaneous expenses" includes contributions paid during the year to the National Resolution Fund and the Deposit Guarantee Scheme totalling Euro 18,090 thousand (formerly Euro 18,119 thousand), of which:

- Euro 6,798 thousand referred to the ordinary contribution to the Resolution Fund (SRM) for the year (formerly Euro 7,263 thousand).
- Euro 11,292 thousand (formerly Euro 10,856 thousand) referred to the contribution to the Deposit Guarantee Scheme (DGS), of which Euro 4,145 thousand as additional contribution.

Also included under "Miscellaneous expenses" are costs for membership contributions of Euro 1,361 thousand (formerly Euro 1,142 thousand).



## Section 11 – Net allocations to provisions for risks and charges – Item 170

### 11.3 Net allocations to provisions for other risks and charges: breakdown

|                                  | Allocations     | Uses         | 31.12.2023     | 31.12.2022     |
|----------------------------------|-----------------|--------------|----------------|----------------|
| Commitments for guarantees given | (1,164)         | 863          | (301)          | 453            |
| Charges for legal disputes       | (10,068)        | 3,657        | (6,411)        | (4,933)        |
| Other                            | (3,486)         | 1,887        | (1,599)        | (19)           |
| <b>Total</b>                     | <b>(14,718)</b> | <b>6,407</b> | <b>(8,311)</b> | <b>(4,499)</b> |

The item commitments for guarantees given represents the net allocation to the provision for risks determined by applying the expected loss calculation models defined in application of the accounting standard "IFRS9 Financial Instruments".

The item charges for legal disputes includes allocations set up during the year to cover expected losses in connection with lawsuits and bankruptcy revocatory actions.

Other allocations include allocations to cover other operational risks.

## Section 12 - Net value adjustments/reversals on tangible assets - Item 180

### 12.1. Net value adjustments on tangible assets: breakdown

| Assets/Income component                 | Depreciation<br>(a) | Impairment<br>(b) | Reversals<br>(c) | Net result<br>(a + b - c) |
|-----------------------------------------|---------------------|-------------------|------------------|---------------------------|
| A. Tangible assets                      |                     |                   |                  |                           |
| 1 For functional use                    | (17,569)            | -                 | -                | (17,569)                  |
| - Owned                                 | (7,123)             | -                 | -                | (7,123)                   |
| - Rights of use acquired through leases | (10,446)            | -                 | -                | (10,446)                  |
| A.2 Held for investment purposes        | (52)                | -                 | -                | (52)                      |
| - Owned                                 | (52)                | -                 | -                | (52)                      |
| - Rights of use acquired through leases | -                   | -                 | -                | -                         |
| 3 Inventories                           | X                   | -                 | -                | -                         |
| <b>Total</b>                            | <b>(17,621)</b>     | <b>-</b>          | <b>-</b>         | <b>(17,621)</b>           |

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

The item "Rights of use acquired through leases" includes the depreciation of assets consisting of the right of use that is the subject of the lease agreements (so-called "Right of Use Asset" or "RoU Asset") recognised in accordance with IFRS16 "Leases" effective 1 January 2019 and calculated as the sum of the lease liability, initial direct costs, payments made on or before the effective date of the agreement (net of any lease incentives received) and decommissioning and/or restoration costs.

Details, by asset category, of the impact on the income statement of adjustments on tangible assets are shown under item "C.2 Depreciation" in table "8.6 Tangible assets for functional use: Changes in the year" and table "8.7 Tangible assets held for investment purposes: Changes in the year" in Section 8 of Part B.

## Section 13 - Net value adjustments/reversals on intangible assets - Item 190

### 13.1 Net value adjustments on intangible assets: breakdown

| Assets/Income component                   | Amortisation   | Impairment | Reversals | Net result     |
|-------------------------------------------|----------------|------------|-----------|----------------|
|                                           | (a)            | (b)        | (c)       | (a + b - c)    |
| A. Intangible assets                      |                |            |           |                |
| of which: software                        | (2,233)        | -          | -         | (2,233)        |
| A.1 Owned                                 | (3,472)        | -          | -         | (3,472)        |
| - Generated internally by the company     | -              | -          | -         | -              |
| - Other                                   | (3,472)        | -          | -         | (3,472)        |
| A.2 Rights of use acquired through leases | -              | -          | -         | -              |
| B. Assets held for sale                   | X              | -          | -         | -              |
| <b>Total</b>                              | <b>(3,472)</b> | <b>-</b>   | <b>-</b>  | <b>(3,472)</b> |

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

The item "Other" includes the amortisation of intangible assets relating to customer relationships recognised following the PPA process for the acquisition of the two business units from the BPER Group in the so-called Lanternina Transaction.

## Section 14 - Other operating income and expenses - Item 200

### 14.1 Other operating expenses: breakdown

|                                          | 31.12.2023      | 31.12.2022     |
|------------------------------------------|-----------------|----------------|
| Amortisations for leasehold improvements | (1,185)         | (1,395)        |
| Losses on realisation of tangible assets | (15)            | (23)           |
| Charges on non-banking services          | (19,970)        | (3,493)        |
| <b>Total</b>                             | <b>(21,170)</b> | <b>(4,911)</b> |

The item "Charges on non-banking services" includes Euro 18,632 thousand for the impact of the additional prudential provision related to the assessment of the potential risk to which Banco Desio could be exposed as a result of the preventive seizure of Ecobonus/Sismabonus tax credits acquired over time and subject to preventive seizure.

## 14.2 Other operating income: breakdown

|                                                      | 31.12.2023     | 31.12.2022    |
|------------------------------------------------------|----------------|---------------|
| Recovery of taxes from third parties                 | 32,761         | 28,426        |
| Recovery of charges on current accounts and deposits | 2,054          | 2,234         |
| Rent and fees receivable                             | 55             | 43            |
| Other expense recoveries                             | 2,207          | 1,914         |
| Profits on realisation of tangible assets            | 1              | 104           |
| Other                                                | 67,497         | 783           |
| <b>Total</b>                                         | <b>104,575</b> | <b>33,504</b> |

The item "Recovery of taxes from third parties" mainly includes recoveries of stamp duty on current accounts, deposit accounts and other customer investments totalling Euro 30,983 thousand (formerly Euro 25,540 thousand) and recoveries of substitute tax totalling Euro 1,793 thousand (formerly Euro 2,889 thousand).

The item "Recovery of charges on current accounts and deposits" includes recoveries for fast processing fees of Euro 876 thousand (formerly Euro 935 thousand) and other recoveries for miscellaneous customer communications for Euro 990 thousand (formerly Euro 990 thousand).

The item "Other expense recoveries" includes, in particular, legal expenses on bad loans in the amount of Euro 789 thousand (formerly Euro 713 thousand), recoveries related to sundry loan investigation expenses in the amount of Euro 711 thousand (formerly Euro 464 thousand), and recovery of sundry expenses on lease files in the amount of Euro 336 thousand (formerly Euro 281 thousand).

The item "Other" mainly includes the recognition of gross goodwill in the amount of Euro 66,096 million resulting from the definitive purchase price allocation (PPA) process following the acquisition from the BPER Group of business units in the so-called "Lanternina Transaction" finalised in February 2023.

## Section 16 - Result of fair value measurement of tangible and intangible assets - Item 230

16.1 Net result of the valuation at fair value (or revalued amount) or at the estimated realisable value of tangible and intangible assets: breakdown

| Assets/Income component                   | Revaluations<br>(a) | Write-downs<br>(b) | Exchange rate differences |                 | Net result<br>(a-b+c-d) |
|-------------------------------------------|---------------------|--------------------|---------------------------|-----------------|-------------------------|
|                                           |                     |                    | Positive<br>(c)           | Negative<br>(d) |                         |
| <b>A. Tangible assets</b>                 | -                   | <b>(160)</b>       | -                         | -               | <b>(160)</b>            |
| A.1 For functional use:                   | -                   | (160)              | -                         | -               | (160)                   |
| - Owned                                   | -                   | (160)              | -                         | -               | (160)                   |
| - Rights of use acquired through leases   | -                   | -                  | -                         | -               | -                       |
| A.3 Inventories                           | -                   | -                  | -                         | -               | -                       |
| A.2 Held for investment purposes:         | -                   | -                  | -                         | -               | -                       |
| - Owned                                   | -                   | -                  | -                         | -               | -                       |
| - Rights of use acquired through leases   | -                   | -                  | -                         | -               | -                       |
| <b>B. Intangible assets</b>               | -                   | -                  | -                         | -               | -                       |
| B.1 Owned:                                | -                   | -                  | -                         | -               | -                       |
| B.1.1 Generated internally by the company | -                   | -                  | -                         | -               | -                       |
| B.1.2 Other                               | -                   | -                  | -                         | -               | -                       |
| B.2 Rights of use acquired through leases | -                   | -                  | -                         | -               | -                       |
| <b>Total</b>                              | -                   | <b>(160)</b>       | -                         | -               | <b>(160)</b>            |

The item includes the negative change related to the category of works of art as a result of the updated valuation of valuable artistic assets (governed by IAS 16 "Property, Plant and Equipment").

## Section 17 - Value adjustments on goodwill - Item 240

The results of the impairment tests on goodwill recognised in the financial statements did not lead to the recognition of any value adjustments.

With regard to the methodology adopted to perform the tests, please refer to the comment in "Section 10 - Intangible assets" of the Balance Sheet Assets.

## Section 18 - Gains/Losses on disposal of investments - Item 250

### 18.1 Gains (losses) on disposal of investments: breakdown

| Income component/Values | 31.12.2023 | 31.12.2022  |
|-------------------------|------------|-------------|
| A. Properties           | -          | (54)        |
| - Gains on sale         | -          | -           |
| - Losses on sale        | -          | (54)        |
| B. Other assets         | -          | -           |
| - Gains on sale         | -          | -           |
| - Losses on sale        | -          | -           |
| <b>Net result</b>       | <b>-</b>   | <b>(54)</b> |

In the comparison period, the item included the balance of Euro 54 thousand referring to the losses deriving from the sale of properties for investment purpose by the Bank.

## Section 19 - Income taxes for the year on current operations - Item 270

### 19.1 Income taxes for the year on current operations: breakdown

| Income components/Values                                                                      | 31.12.2023      | 31.12.2022      |
|-----------------------------------------------------------------------------------------------|-----------------|-----------------|
| 1. Current taxes (-)                                                                          | (31,202)        | (18,691)        |
| 2. Changes in current taxes of previous years (+/-)                                           | 58              | 1,468           |
| 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 (+/-)                                                        | (27,633)        | (16,130)        |
| 5. Change in deferred tax liabilities (+/-)                                                   | 399             | (112)           |
| <b>6. Taxes for the year (-) (-1+/-2+3+3bis+/-4+/-5)</b>                                      | <b>(58,378)</b> | <b>(33,465)</b> |

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

Please note that the balance of item "2. Changes in current taxes from previous years" of the comparison period refers to the positive outcome of the refund request presented to the Revenue Agency in relation to IRAP, tax year 2014, with reference to the business unit transferred by the Bank to the former subsidiary Banca Popolare di Spoleto.

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 and supplemented.

## 19.2 Reconciliation of theoretical tax charge and actual tax charge in the financial statements

|                                                                            | IRES      |                 | IRAP      |                 |
|----------------------------------------------------------------------------|-----------|-----------------|-----------|-----------------|
| Pre-tax result                                                             | 304,635   |                 | 304,635   |                 |
| Costs not deductible for IRAP                                              |           |                 | 54,975    |                 |
| Revenues not taxable for IRAP                                              |           |                 | (171,100) |                 |
| Sub Total                                                                  | 304,635   |                 | 188,510   |                 |
| <b>Theoretical tax expense 24% Ires - 3.5% Ires surtax - 5.57% Irap</b>    |           | <b>(83,774)</b> |           | <b>(10,500)</b> |
| Temporary differences taxable in subsequent years                          | (21,185)  |                 | (21,185)  |                 |
| Temporary differences deductible in subsequent years                       | 61,954    |                 | 22,194    |                 |
| Reversal of temporary differences from previous years                      | (143,912) |                 | (95,093)  |                 |
| Differences that will not be reversed in subsequent years                  | (103,404) |                 | 14,533    |                 |
| Taxable amount                                                             | 98,088    |                 | 108,959   |                 |
| <b>Current taxes for the year 24% Ires - 3.5% Ires surtax - 5.57% Irap</b> |           | <b>(26,974)</b> |           | <b>(6,069)</b>  |

The total of "Current taxes for the year" in this table, equal to Euro 33,043 thousand, corresponds to the sum of what is indicated under item "1. Current taxes" in Table 19.1 and under item "5. Taxes and duties" in Table 20.1.

The difference between the theoretical tax burden and current taxes is mainly due to:

- with reference only to Ires (corporate income tax) and the relative surtax, to the application of the so-called Pex regime (as per Article 87 of Tuir) with the consequent detaxation to the extent of 95% of the tax gain realised on the sale to Worldline of the business unit related to the acquiring activity (so-called Aquarius Transaction);
- the recovery of write-downs on receivables from previous years, pursuant to Article 16, paragraph 4 of Decree Law No. 83 of 27 June 2015, as amended and supplemented;
- the deduction of the annual 10% share, pursuant to paragraphs 1067 and 1068 of Article 1 of Law No. 145/2018, of the income components arising from the adoption of the model for recognising expected losses on loans to customers, recognised on the first-time application of IFRS 9.

## Section 20 - Profit/Loss from discontinued operations after taxes - Item 290

### 20.1 Profit (loss) from discontinued operations after taxes: breakdown

| Income components/Sectors                                           | 31.12.2023    | 31.12.2022   |
|---------------------------------------------------------------------|---------------|--------------|
| 1. Income                                                           | 1,801         | 9,543        |
| 2. Expenses                                                         | (1,947)       | (71)         |
| 3. Result of valuations of groups of assets and related liabilities | -             | -            |
| 4. Realised gains (losses)                                          | 100,012       | -            |
| 5. Taxes and duties                                                 | (1,841)       | (2,605)      |
| <b>Profit (loss)</b>                                                | <b>98,025</b> | <b>6,867</b> |

This item includes gains/losses arising from the sale to Worldline Italia of the merchant acquiring business unit that took place in March 2023; in particular, income is entirely attributable to commission income and expenses substantially refer to costs incurred for professional fees in connection with the transaction. The values recorded in the comparison period referred to the same line of business, showing in income the values of commission income, and in expenses the values of personnel costs reclassified from the relevant items.

### 20.2 Details of income taxes on discontinued operations

| Income components/Sectors                      | 31.12.2023     | 31.12.2022     |
|------------------------------------------------|----------------|----------------|
| 1. Current taxation (-)                        | (1,841)        | (2,605)        |
| 2. Changes in deferred tax assets (+/-)        | -              | -              |
| 3. Changes in deferred tax liabilities (+/-)   | -              | -              |
| <b>4. Income tax for the year (-1+/-2+/-3)</b> | <b>(1,841)</b> | <b>(2,605)</b> |

## Section 22 - Earnings per share

### 22.1 Average number of diluted capital ordinary shares

Please refer to the corresponding section of the Consolidated financial statements for information on Earnings per Share.

### 22.2 Other information

No further information.



## PART D - COMPREHENSIVE INCOME

### ANALYTICAL STATEMENT OF COMPREHENSIVE INCOME

| Items                                                            |                                                                                                            | 31.12.2023 | 31.12.2022 |
|------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------|------------|------------|
| 10.                                                              | Profit (Loss) for the year                                                                                 | 238,045    | 88,189     |
| Other income components without reversal to the income statement |                                                                                                            |            |            |
| 20.                                                              | Equity securities measured at fair value through other comprehensive income:                               | (1,148)    | 1,479      |
|                                                                  | a) change in fair value                                                                                    | (1,148)    | 1,479      |
|                                                                  | b) reclassified to other components of equity                                                              |            |            |
| 50.                                                              | Tangible assets                                                                                            | (41)       |            |
| 70.                                                              | Defined benefit plans                                                                                      | (100)      | 1,411      |
| 100.                                                             | Income taxes relating to other income components without reversal to the income statement                  | 115        | (459)      |
| Other income components with reversal to the income statement    |                                                                                                            |            |            |
| 130.                                                             | Cash flow hedges:                                                                                          |            | 303        |
|                                                                  | a) changes in fair value                                                                                   |            | 303        |
|                                                                  | b) reversal to income statement                                                                            |            |            |
| 150.                                                             | Financial assets (other than equity securities) measured at fair value through other comprehensive income: | 26,207     | (47,273)   |
|                                                                  | a) changes in fair value                                                                                   | 26,470     | (47,695)   |
|                                                                  | b) reversal to income statement                                                                            | (263)      | 218        |
|                                                                  | - credit risk adjustments                                                                                  | 10         | 160        |
|                                                                  | - realised gains/losses                                                                                    | (273)      | 58         |
|                                                                  | c) other changes                                                                                           |            | 204        |
| 180.                                                             | Income taxes relating to other income components with reversal to the income statement                     | (8,667)    | 15,533     |
| 190.                                                             | Total other income components                                                                              | 16,366     | (29,006)   |
| 200.                                                             | Comprehensive income (Item 10+190)                                                                         | 254,411    | 59,183     |

## PART E - INFORMATION ON RISKS AND RELATED HEDGING POLICIES

### Introduction

The Internal Control and Risk Management System consists of the set of rules, procedures and organisational structures aimed at enabling the identification, measurement, management and monitoring of the main risks. This system is integrated into the organisational and corporate governance structures adopted by the Group.

The guidelines of the system are defined in internal regulations. Detailed operational and informative provisions on the controls implemented, at the various levels, on corporate processes are contained in the specific function regulations and internal procedures.

Under the organisational model adopted by the Group, the Risk Management function reports directly to the Chief Executive Officer and participates in the risk management process aimed at identifying, measuring, assessing, monitoring, preventing and mitigating as well as communicating the risks assumed or that may be assumed in the course of business. This function also performs the activity vis-à-vis the subsidiaries, in accordance with the relevant Service Agreements.

At least once a year, the Board of Directors approves the Group's "Risk Appetite Framework (RAF)" and "Corporate Risk Management Policy", which define the risk appetite, tolerance thresholds, limits as well as risk monitoring rules and methodologies. Within the framework of these documents, specific risk indicators with the relevant attention thresholds are provided for at the level of each legal entity, identifying the functions responsible for the specific control mechanisms and providing for dedicated information flows. The internal capital adequacy process (ICAAP) and the liquidity risk management and governance system (ILAAP) are also part of the Group's risk management system.

## SECTION 1 – CREDIT RISK

### Qualitative information

#### 1. General Aspects

The bank's lending activities are developed in line with the management guidelines of the Business Plan and targeted at local economies mainly in the retail, small business and small-medium enterprise markets. To a lesser extent, lending is aimed at the corporate market.

In the activities aimed at private customers, small businesses (artisans, producer households, professionals), SMEs and corporates, and customers with financial company characteristics, the products essentially related to: loans and deposits, financial, banking and payment services, documentary credit, lease, factoring, financial, insurance and asset management products, and debit and credit cards.

Commercial policy is pursued mainly through the branch network on the basis of credit policies oriented towards supporting local economies. Particular attention is paid to maintaining the relationships established with customers and developing them both in the geographical areas where the bank is traditionally present and in the new markets of establishment with the aim of acquiring new market shares and facilitating growth in business volume. The subsidiary Fides S.p.A., active in the provision of loans to private customers in the technical forms of salary-backed, advances on severance pay and personal loans, also makes use of agents outside the parent company's sales network in the placement of its products. The bank also operates by adhering to the agreements stipulated between the Italian Banking Association, Trade associations and Entrepreneurial associations with the stipulation of Conventions aimed at providing credit support to companies with a view to safeguarding asset quality.

## **2. Credit risk management policies**

### **2.1. Organisational aspects**

Factors that generate credit risk relate to the possibility that an unexpected change in the creditworthiness of a counterparty, with respect to which exposure exists, generates a corresponding unexpected change in the value of the credit position. Therefore, not only the possibility of a counterparty's insolvency, but also the mere deterioration of creditworthiness must be considered a manifestation of credit risk.

The Group's organisational structure ensures an adequate process for monitoring and managing credit risk, with a logic of separation between business and control functions. The Parent Company's Board of Directors is exclusively responsible for determining guidelines affecting the general management of the bank's business, as well as, within this framework, decisions concerning strategic lines and operations and industrial and financial plans, and those concerning, again at the level of strategic supervision, the Internal Control and Risk Management System in accordance with the Prudential Supervisory Provisions in force from time to time. In line with the provisions of Bank of Italy Circular 285/2013, the Parent Company assigned the Risk Management Department the task of verifying and supervising the monitoring and credit recovery activities carried out by the competent corporate functions, envisaging the power to intervene, where necessary, on the classification of anomalous credit and the allocation of provisions.

### **2.2 Management, measurement and control systems**

The credit risk management, measurement and control systems are developed in an organisational context that involves the entire credit process cycle, from the initial investigation phase to the periodic review and the final revocation and recovery phase.

In the credit investigation stages, the bank carries out both internal and external investigations on the customer to be entrusted, and arrives at the final decision to grant credit by also considering all the information relating to the economic subject, which is the result of direct knowledge of the customer and the economic context of operation.

In the credit disbursement process, the Bank 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.

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, 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.

The Credit Department's monitoring activities continued on the customers entrusted: the analysis of the positions showed an increase compared to the previous quarters in the deterioration of existing loans - albeit at levels in line with the pre-pandemic period - on which risk containment and management actions were activated. 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 and by the measures implemented by the ECB, which led to a significant increase in rates.

As part of its corporate risk management policies, the Bank has established a system of operational limits and specific Key Risk Indicators (KRI). In the context of monitoring and control, when thresholds are exceeded, the Risk Management function activates internal procedures to intervene in order to maintain a level of risk appetite consistent with what is defined in the RAF and risk management policies.

For risk management purposes, the Bank 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 continuation of the emergency relating to the war conflict between Russia and Ukraine, which occurred in 2022, and to the further international tensions that occurred in 2023, the presence of important inflationary shocks, the difficulties in energy and food supply and the increase in the cost of living and the consequent social implications, it is highlighted that in the preparation of this financial reporting, the Bank 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 hypotheses in the models used for estimating expected credit losses 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 and macroeconomic change described above and still present in the current market context, the Bank has considered updating both the macroeconomic forecasts and the models used to estimate expected losses by adopting forecasts prepared by specialised providers. These projections take into account the transmission of the effects of the war conflict between Russia and Ukraine and the inflationary shocks to the economy through multiple channels such as the decline in international trade and foreign demand, the reduction in private consumption, the effects of uncertainty and confidence on the propensity of companies 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:

$$ECL = \sum_{t=1}^T PD_t \cdot EAD_t \cdot LGD_t \cdot (1 + r)^{-t}$$

where:

- PD<sub>t</sub> 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)
- EAD<sub>t</sub> represents the counterparty exposure at each cash flow date
- LGD<sub>t</sub> 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

As represented in the section "Inclusion of forward-looking factors", the estimated PD curves are distinct for each selected macroeconomic scenario and are applied for the calculation of the ECL for each of these scenarios. The final expected loss measure is obtained by weighting the Expected Credit Loss measures conditional on the macroeconomic scenarios by their respective probabilities of occurrence.

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 Bank determined the aforementioned IFRS 9 compliant risk parameters, with particular reference to how forward-looking factors were included.

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

### *Estimating the PD parameter*

The PD parameters were appropriately calibrated, using satellite models, to reflect default rates under current (PiT) and forward-looking conditions. These parameters must be estimated not only with reference to the twelve-month horizon following the reporting date, but also in future years, in order to allow for the calculation of lifetime provisions.

For the Group, lifetime PD curves were created by multiplying 12-month rating migration matrices by segments and conditional on prospective macroeconomic scenarios, using a Markovian approach. Each rating class assigned to counterparties by internal models is associated with the corresponding lifetime PD curve. Below are the main methodological steps used to estimate the PD lifetime parameter:

- creating historical Point in Time (PiT) migration matrices for each risk segment defined by the rating models and, based on the average of these matrices, obtaining 3-year migration matrices for each risk segment. It should be noted that in order to reduce the default rate bias resulting from support policies, the migration matrices of 2020 and 2021 have been deducted of the counterparties benefiting from moratoria;
- determination of future PiT migration matrices for the first three years following the reporting date, obtained on the basis of PiT migration matrices conditioned by selected macroeconomic scenarios, using satellite models (Merton method) capable of expressing the sensitivity of PD measures to changes in key economic quantities. These satellite models are differentiated by Business and Private segments and use segment-specific variables;
- obtaining the cumulative PD per rating class and scenario by means of a matrix product (Markov chain techniques) of the future PiT migration matrices for the first three years, as calculated above, while from the fourth year onwards, use is made of the 1-yr TTC matrix assumed constant in each period  $t$ , obtained by deconditioning the individual annual migration matrices observed over the last five years using the Merton-Vasicek method;
- generation of the cumulative lifetime PD curve as the average of the cumulative PD curves of each selected macroeconomic scenario.

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 applied to calculate three separate measures of ECL (one for each macroeconomic scenario) that are subsequently adopted to calculate the final ECL obtained as the average of the ECL measures conditional on each macroeconomic scenario weighted by their respective probabilities of occurrence.

Taking into account the effect on the final data produced by both the COVID-19 pandemic and the inflationary shocks, structural breaks in the historical relationship between the business cycle and risk parameters (in particular default rates) due to the coexistence of a severe recession and government support measures (in particular credit moratoria) were analysed and modelled, which prevented the sharp increase in insolvencies that would likely have been observed in their absence. Therefore, the modelling components introduced in previous years were removed, so-called "Cliff Effect" to include COVID-19 effects that have not yet fully reversed over either to the default classifications or to the deterioration of the performing portfolio.

In addition, in re-estimating the models, in order to include separate prospective risk assessments by business segment and geographic area, separate "satellite models" were developed by business macro-sector for the Corporate segment and by geographic macro-area for the Private segment. Thus, the estimation of the aforementioned econometric relationship between the default rate and the explanatory macroeconomic variables was conducted with a higher level of granularity in order to capture the asymmetric impact of historical economic events on different sectors and geographic areas and to incorporate differentiated forecasting elements that more closely reflect the prospective riskiness of the portfolio.

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

The following tables provide evidence of the minimum and maximum values ("range of values") referred to some of the macroeconomic parameters considered in the forward-looking conditioning models (so-called satellite models, time by time subject to calibration and refinement), for the scenarios considered most probable to influence the expected losses of performing credit exposures and the relative probabilities of occurrence considered at 31 December 2023, 2022 and 2021:

|                                          |                          |            |                      |            |                          |            |
|------------------------------------------|--------------------------|------------|----------------------|------------|--------------------------|------------|
| Financial Statements<br>31 December 2023 | <b>Positive Scenario</b> |            | <b>Base Scenario</b> |            | <b>Negative Scenario</b> |            |
| <b>Macroeconomic Indicators</b>          | <b>Min</b>               | <b>Max</b> | <b>Min</b>           | <b>Max</b> | <b>Min</b>               | <b>Max</b> |
| GDP Italy                                | 0.59                     | 1.94       | 0.26                 | 0.85       | -1.27                    | 0.19       |
| Consumer Price Index                     | 1.11                     | 1.56       | 1.52                 | 2.67       | 1.41                     | 5.86       |
| Unemployment rate                        | -0.87                    | -0.15      | -0.15                | -0.11      | 0.01                     | 1.37       |
| <b>Probability of occurrence</b>         | <b>10%</b>               |            | <b>55%</b>           |            | <b>35%</b>               |            |

|                                          |                          |            |                      |            |                          |            |
|------------------------------------------|--------------------------|------------|----------------------|------------|--------------------------|------------|
| Financial Statements<br>31 December 2022 | <b>Positive Scenario</b> |            | <b>Base Scenario</b> |            | <b>Negative Scenario</b> |            |
| <b>Macroeconomic Indicators</b>          | <b>Min</b>               | <b>Max</b> | <b>Min</b>           | <b>Max</b> | <b>Min</b>               | <b>Max</b> |
| GDP Italy                                | 0.40                     | 3.80       | 0.40                 | 3.80       | -0.48                    | 3.43       |
| 10-year Bund - BTP spread                | 1.80                     | 2.57       | 2.04                 | 2.58       | 2.62                     | 2.69       |
| <b>Probability of occurrence</b>         | <b>10%</b>               |            | <b>55%</b>           |            | <b>35%</b>               |            |

|                                          |                          |            |                      |            |                          |            |
|------------------------------------------|--------------------------|------------|----------------------|------------|--------------------------|------------|
| Financial Statements<br>31 December 2021 | <b>Positive Scenario</b> |            | <b>Base Scenario</b> |            | <b>Negative Scenario</b> |            |
| <b>Macroeconomic Indicators</b>          | <b>Min</b>               | <b>Max</b> | <b>Min</b>           | <b>Max</b> | <b>Min</b>               | <b>Max</b> |
| GDP Italy                                | 2.24                     | 6.44       | 2.50                 | 6.20       | 1.43                     | 5.96       |
| Inflation Europe                         | 2.10                     | 3.40       | 1.80                 | 3.20       | 1.40                     | 3.10       |
| Euribor 3m                               | -0.47                    | -0.50      | -0.50                | -0.50      | -0.54                    | -0.50      |
| Residential property values Italy        | 1.43                     | 2.50       | 1.39                 | 1.73       | 0.36                     | 1.38       |
| 10-year Bund - BTP spread                | 0.91                     | 1.03       | 0.91                 | 1.03       | 1.28                     | 2.14       |
| <b>Probability of occurrence</b>         | <b>0%</b>                |            | <b>55%</b>           |            | <b>45%</b>               |            |



### Post-model adjustments

In relation to the persistent elements of uncertainty in the macroeconomic scenarios already mentioned and consistent with the expectations of the regulators, as well as with the approach of utmost care applied in the performance monitoring of exposures already adopted in the three previous years, the Bank deemed it appropriate to continue to adopt a prudent approach in assessing the longer-term impacts also in relation to new emerging risk factors, defining post-model adjustments (management overlay) that take into account the transition to stage 2:

- 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),
- the mortgages granted to private customers belonging to the mass market segment towards which the analysis of the Credit Department and the Commercial Department of the Bank is directed (worsening of the installment in the periods June - December 2022 and January-December 2023 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 in credit policies were taken into consideration, as detailed below, maintaining a prudent approach on Ateco 55 "Hotels and similar establishments", the only one that went from low to medium attractiveness in 2023, making it a low attractiveness sector.

| 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.

In the definition of these clusters, the criteria already adopted for the staging overlay were used, supplemented to reflect greater caution on branches located in the provinces most affected by the floods in Emilia Romagna and Tuscany, on Covid-19 moratoria in place at the end of 2021, and on particular categories of low attractiveness sectors that showed greater risk during the year.

For the definition of the minimum coverage to be applied on the various clusters identified, in a range between 4.9% and 17.4%, the average coverage levels expressed by the model on different risk bands were taken as a reference.

In the definition of the post-model adjustments, the effects of climate change were reflected, among others, in the definition of the lending policies adopted by the bank, i.e. in the arrangement of sectoral attractiveness, which also took into account the evidence arising from the materiality analyses of climate and environmental risks, as well as in the definition of the management overlay approach described above, and thus reflected in the resulting increase in ECL.

#### *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 Bank therefore deemed it reasonable to perform a sensitivity analysis considering a 70% probability of occurrence of the negative scenario would result in a further increase in value adjustments on the performing portfolio of about Euro 1.7 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 Bank acquires, whenever possible, collateral and/or personal guarantees targeted 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 given 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 given 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 Bank has a policy that regulates the criteria and methods for the application of value adjustments which, depending on the type of non-performing loan, the original technical form and the type of collateral supporting it, establish the minimum percentages to be applied in determining loss forecasts. The management of the Parent Company’s impaired exposures is delegated to a specific organisational unit, the NPL Area, which is responsible for identifying strategies to maximise recovery on individual positions and for defining the value adjustments to be applied to them. Only “impaired past-due/overdrawn” exposures subject to a lump-sum write-down and with a high probability of reclassification among “performing” exposures are managed by the function delegated to the monitoring of credit performance, which eventually classifies them among “unlikely to pay”, transferring their management to the NPL Area.

The loss forecast represents the summary of several elements derived from different assessments (internal and external) of the capital adequacy of the principal debtor and any guarantors, and, in the case of UTP, also takes into account the drivers used in defining the LGD parameter. The monitoring of loss forecasts is constant and related to the development of the individual position. The Risk Management function periodically monitors compliance with the doubtful outcome percentages envisaged by the policy for the management of non-performing loans, reporting any deviations to the competent functions for realignment interventions, and supervises the recovery activities of non-performing loans, whether managed directly by the functions in charge or through specialised external operators.

The time element inherent in the discounting of non-performing loans is determined by specific valuations, made for individual types of assets, prepared on the basis of information on individual court cases and updated periodically.

Consistent with the objectives of reducing the bank’s stock of non-performing loans indicated in the business plan and in the NPL Management Plan, and with a view to maximising recoveries, the competent corporate functions define the best strategy for managing impaired exposures, which, on the basis of the subjective characteristics of the individual counterparty/exposure and internal policies may be identified in a review of contractual terms (forbearance), in the assignment to an internal recovery unit rather than to a specialised third-party operator, in the identification of the possibility of assigning the credit to third parties (at the level of individual exposure or within a complex of positions with homogeneous

characteristics). In particular, during the course of the year, proactive monitoring of exposures continued, favouring the return and recovery of unlikely to pay (UTP) exposures, and also finalising hypotheses of disposal transactions to third parties formalised within 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 disposal of both mortgage and unsecured credit perimeters.

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 year confirmed a level of the NPL Ratio (gross non-performing loans/gross loans ratio) to 3.2%.

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.

Consistently with the disposal targets, established from time to time by the Board of Directors, the Group's exposures classified as bad loans or unlikely to pay are assessed through the configuration of two different estimates of expected cash flows:

- the first, determined by assuming the recovery scenario from the debtor on the basis of internal activity, according to the ordinary valuation guidelines followed by the Group previously illustrated (work out scenario);
- the second assuming the scenario of recovery by means of disposal of credit (sale scenario), the estimate of which is derived from the amount defined for internal recovery.

The quantification of the expected losses of the aforementioned exposures includes forward-looking elements, through the introduction of specific sale scenarios, where the Group's NPL strategy envisages that the recovery of the aforementioned exposures may take place through a sale on the market, with a view to pursuing a derisking strategy aimed at reducing the NPL ratio, i.e., the percentage of impaired exposures with respect to the total exposures.

Consequently, the estimate of the expected losses of these positions reflects not only the expected recovery through ordinary operations (work out) but also the presence, appropriately calibrated, of the sales scenario and therefore of the related cash flows.

As expressly provided for by the IASB ITG1, in determining expected losses, it is in fact possible to consider recoverable cash flows through sale, to the extent that it is possible to develop expectations and assumptions based on reasonable and demonstrable information (see in this regard the document: *"Meeting Summary - 11 December 2015 - Inclusion of cash flows expected from the sale on default of a loan in the measurement of expected credit losses"*).

The estimate of recoverable cash flows is therefore equal to the probability-weighted average of the estimated cash flows the Group expects to receive in the two scenarios. Expected losses are therefore determined based on the difference between the gross value of the credit exposure and the estimated lower recoverable flows.

The methodology for estimating expected losses therefore involves the following steps:

- the segmentation of the portfolio into different clusters considered relevant for the purposes of portfolio analysis, depending on the status (bad loans or unlikely to pay), the date of entry among impaired exposures (vintage), the amount of the exposures, and the existence of planned sales;
- the assignment of a different probability of disposal to each cluster, consistent with the achievement of the target level of disposals decided by the competent bodies;
- the determination of recovery flows through the sale, based on an internal model of discounting recoverable cash flows, based on the discounted cash flow technique, according to certain parameters deemed representative from the perspective of the potential purchaser, with the objective of arriving at a price for the hypothetical sale of each cluster, appropriately calibrated to take into account comparable transactions observed on the market.

Given that the exposures subject to probable disposal may not be individually identifiable at the reporting date, the model requires that a probability of disposal be associated with each loan.

The expected loss of the exposures under review is therefore equal to the probability-weighted average of the estimated recoverable cash flows in the two scenarios (workout and sale).

The assignment of probabilities to the various scenarios is based on the segmentation of the Group's overall portfolio of loans classified as bad loans or unlikely to pay according to the main characteristics that influence the value attributed by the market to loans of this type (vintage, amount of exposure).

The allocation of probabilities to the various clusters is guided by the amount of the target disposals approved by the Board of Directors from time to time. In other words, the probabilities are assigned to the various clusters in such a way that the sum of the total nominal values of each cluster multiplied by the relative probability of disposal (hereinafter also "expected value of disposal") is equal to the aforementioned target disposal amount approved by the Board of Directors. The probabilities assigned to the various clusters are therefore variable over time and can range from a minimum of 0%, for those positions that are considered to be excluded from sale due to their intrinsic characteristics, up to a maximum of 90%, assigned to the cluster in which the loans that are considered most likely to be sold (scheduled sales) are placed. The composition of the clusters also varies over time depending on the evolution of market appetite for the various types of exposures and the consequent suitability assessments carried out by the competent Bank bodies.

For target volumes of disposals preparatory to maintaining NPL Ratio levels already achieved, the transactions are considered to be of a physiological nature, resulting in the application of only the internal workout scenario in determining expected losses.

For the determination of the recovery flows through sale, the valuation method used is based on a process of discounting the recoverable cash flows ("discounted cash flows"), which takes into consideration the main parameters that are normally considered by potential purchasers when defining the purchase price,

appropriately calibrated to take into account comparable transactions observed on the market. In more detail, the factors considered in the estimation process are: the estimated recoverable value consistent with the value estimated in the workout scenario; the costs that the purchaser will have to incur to recover the receivable; the estimated recovery time, based on market information (e.g. average court times); the expected rates of return from purchasers; and specific market factors also defined according to the type of sale transaction put in place.

It should be noted that the method illustrated above does not apply to any loans that, at the date of preparation of the financial statements, are already analytically identified as held for sale, in relation to which the conditions provided for by IFRS 5 for classification in the portfolio of assets held for sale are met. The valuation of these loans is carried out considering only the sale scenario, to which a 100% probability is assigned, and assuming as a reference the sale prices or, in any case, the information contained in the agreements finalised with the counterparties (binding offers).

### **3.2 Write-offs**

Impaired exposures for which there is no possibility of recovery (either total or partial) are subject to derecognition (write-off) in accordance with the policies in force at the time, approved by the 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 Bank 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.

Following the acquisition of the bank branch unit realised in February 2023 with the BPER Group, POCI are recorded in the financial statements at 31 December 2023, classified at the time of the acquisition as unlikely to pay, which were still classified at year-end as unlikely to pay or bad loans. The initial recognition value of POCI reflects the lower fair value attributed of Euro 4.7 million compared to the total gross value of the loans acquired.

In December 2023, after a specific preliminary investigation that ascertained the lack of support for the securitisation, Banco Desio repurchased bad loans included in the portfolio sold in 2018 to the securitisation

vehicle company 2Worlds srl for a GBV of Euro 22.4 million. The initial recognition value of POCI reflects the lower fair value attributed of Euro 17.8 million compared to the total gross value of the loans acquired.

#### **4. Financial assets subject to trade renegotiations and forbore 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, if the conditions for a classification in stage 3 do not exist where a costly restructuring implies a reduction in the Net Present Value for the Bank of more than 1%. 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 forbore exposures.

## Quantitative information

### A Credit Quality

#### A.1 Impaired and non-impaired credit exposures: amounts, value adjustments, trend, economic distribution

##### A.1.1 Breakdown of financial assets by portfolio and credit quality (carrying amounts)

| Portfolios/quality                                                            | Bad loans     | Unlikely to pay | Impaired past-due | Non-impaired past-due exposures | Other non-impaired exposures | Total             |
|-------------------------------------------------------------------------------|---------------|-----------------|-------------------|---------------------------------|------------------------------|-------------------|
| 1. Financial assets measured at amortised cost                                | 46,889        | 136,054         | 9,687             | 43,249                          | 14,586,025                   | 14,821,904        |
| 2. Financial assets measured at fair value through other comprehensive income | -             | -               | -                 | -                               | 822,257                      | 822,257           |
| 3. Financial assets designated at fair value                                  | -             | -               | -                 | -                               | -                            | -                 |
| 4. Other financial assets mandatorily measured at fair value                  | -             | -               | -                 | -                               | 32                           | 32                |
| 5. Financial assets held for sale                                             | -             | -               | -                 | -                               | -                            | -                 |
| <b>Total 31.12.2023</b>                                                       | <b>46,889</b> | <b>136,054</b>  | <b>9,687</b>      | <b>43,249</b>                   | <b>15,408,314</b>            | <b>15,644,193</b> |
| <b>Total 31.12.2022</b>                                                       | <b>58,966</b> | <b>128,744</b>  | <b>3,877</b>      | <b>34,660</b>                   | <b>15,209,381</b>            | <b>15,435,628</b> |



### A.1.2 Breakdown of financial assets by portfolio and credit quality (gross and net amounts)

| Portfolios/quality                                                            | Impaired       |                         |                |                           | Non-impaired      |                         |                   | Total (net exposure) |
|-------------------------------------------------------------------------------|----------------|-------------------------|----------------|---------------------------|-------------------|-------------------------|-------------------|----------------------|
|                                                                               | Gross exposure | Total value adjustments | Net exposure   | Total partial write-offs* | Gross exposure    | Total value adjustments | Net exposure      |                      |
| 1. Financial assets measured at amortised cost                                | 375,848        | (183,218)               | 192,630        | 18,708                    | 14,750,983        | (121,709)               | 14,629,274        | 14,821,904           |
| 2. Financial assets measured at fair value through other comprehensive income | -              | -                       | -              | -                         | 822,589           | (332)                   | 822,257           | 822,257              |
| 3. Financial assets designated at fair value                                  | -              | -                       | -              | -                         | X                 | X                       | -                 | -                    |
| 4. Other financial assets mandatorily measured at fair value                  | -              | -                       | -              | -                         | X                 | X                       | 32                | 32                   |
| 5. Financial assets held for sale                                             | -              | -                       | -              | -                         | -                 | -                       | -                 | -                    |
| <b>Total 31.12.2023</b>                                                       | <b>375,848</b> | <b>(183,218)</b>        | <b>192,630</b> | <b>18,708</b>             | <b>15,573,572</b> | <b>(122,041)</b>        | <b>15,451,563</b> | <b>15,644,193</b>    |
| <b>Total 31.12.2022</b>                                                       | <b>384,592</b> | <b>(193,005)</b>        | <b>191,587</b> | <b>1,882</b>              | <b>15,349,688</b> | <b>(106,312)</b>        | <b>15,244,041</b> | <b>15,435,628</b>    |

| Portfolios/quality                   | Assets with evident poor credit quality |              | Other assets  |
|--------------------------------------|-----------------------------------------|--------------|---------------|
|                                      | Accumulated losses                      | Net exposure | Net exposure  |
| 1. Financial assets held for trading | -                                       | -            | 3,514         |
| 2. Hedging derivatives               | -                                       | -            | 21,431        |
| <b>Total 31.12.2023</b>              | <b>-</b>                                | <b>-</b>     | <b>24,945</b> |
| <b>Total 31.12.2022</b>              | <b>-</b>                                | <b>-</b>     | <b>79,733</b> |

### A.1.3 Breakdown of financial assets by maturity bands (carrying amounts)

| Portfolios/risk stages                                                        | First stage           |                                 |              | Second stage          |                                 |              | Third stage           |                                 |               | Purchased or originated impaired |                                 |              |
|-------------------------------------------------------------------------------|-----------------------|---------------------------------|--------------|-----------------------|---------------------------------|--------------|-----------------------|---------------------------------|---------------|----------------------------------|---------------------------------|--------------|
|                                                                               | From 1 day to 30 days | More than 30 days up to 90 days | Over 90 days | From 1 day to 30 days | More than 30 days up to 90 days | Over 90 days | From 1 day to 30 days | More than 30 days up to 90 days | Over 90 days  | From 1 day to 30 days            | More than 30 days up to 90 days | Over 90 days |
| 1. Financial assets measured at amortised cost                                | 11,778                | 1                               | 1            | 20,490                | 10,609                          | 368          | 8,481                 | 23,029                          | 85,808        | 4,373                            | 1,080                           | 4,502        |
| 2. Financial assets measured at fair value through other comprehensive income | -                     | -                               | -            | -                     | -                               | -            | -                     | -                               | -             | 0                                | 0                               | -            |
| 3. Financial assets held for sale                                             | -                     | -                               | -            | -                     | -                               | -            | -                     | -                               | -             | 0                                | 0                               | -            |
| <b>Total 31.12.2023</b>                                                       | <b>11,778</b>         | <b>1</b>                        | <b>1</b>     | <b>20,490</b>         | <b>10,609</b>                   | <b>368</b>   | <b>8,481</b>          | <b>23,029</b>                   | <b>85,808</b> | <b>4,373</b>                     | <b>1,080</b>                    | <b>4,502</b> |
| <b>Total 31.12.2022</b>                                                       | <b>7,848</b>          | <b>7</b>                        | <b>5</b>     | <b>20,797</b>         | <b>5,718</b>                    | <b>147</b>   | <b>11,015</b>         | <b>23,557</b>                   | <b>94,658</b> | <b>423</b>                       | <b>529</b>                      | <b>1,304</b> |

**A.1.4 Financial assets, commitments to disburse funds and financial guarantees given: trend of total value adjustments and total allocations - Part 1**

| Reasons/risk stages                                                  | Total value adjustments                   |                                             |                                                                            |                                |                                  |                                  |                                           |                                             |                                                                            |                                |                                  |                                  |
|----------------------------------------------------------------------|-------------------------------------------|---------------------------------------------|----------------------------------------------------------------------------|--------------------------------|----------------------------------|----------------------------------|-------------------------------------------|---------------------------------------------|----------------------------------------------------------------------------|--------------------------------|----------------------------------|----------------------------------|
|                                                                      | First stage assets                        |                                             |                                                                            |                                |                                  |                                  | Second stage assets                       |                                             |                                                                            |                                |                                  |                                  |
|                                                                      | Demand loans with banks and central banks | Financial assets measured at amortised cost | Financial assets measured at fair value through other comprehensive income | Financial assets held for sale | of which: individual write-downs | of which: collective write-downs | Demand loans with banks and central banks | Financial assets measured at amortised cost | Financial assets measured at fair value through other comprehensive income | Financial assets held for sale | of which: individual write-downs | of which: collective write-downs |
| Total opening adjustments                                            | 113                                       | 19,716                                      | 323                                                                        | -                              | -                                | 20,152                           | -                                         | 86,175                                      | -                                                                          | -                              | -                                | 86,175                           |
| Increases in purchased or originated financial assets                | 44                                        | 10,014                                      | 5                                                                          | -                              | -                                | 10,063                           | -                                         | 4,859                                       | -                                                                          | -                              | -                                | 4,859                            |
| Derecognition other than write-offs                                  | (4)                                       | (4,219)                                     | -                                                                          | -                              | -                                | (4,223)                          | -                                         | (783)                                       | -                                                                          | -                              | -                                | (783)                            |
| Net value adjustments/reversals for credit risk (+/-)                | (111)                                     | (2,627)                                     | 4                                                                          | -                              | -                                | (2,734)                          | -                                         | 8,525                                       | -                                                                          | -                              | -                                | 8,525                            |
| Contractual amendments without derecognition                         | -                                         | -                                           | -                                                                          | -                              | -                                | -                                | -                                         | (82)                                        | -                                                                          | -                              | -                                | (82)                             |
| Changes in estimate methodology                                      | -                                         | -                                           | -                                                                          | -                              | -                                | -                                | -                                         | -                                           | -                                                                          | -                              | -                                | -                                |
| Write-offs not recognised directly in the income statement           | -                                         | -                                           | -                                                                          | -                              | -                                | -                                | -                                         | -                                           | -                                                                          | -                              | -                                | -                                |
| Other changes                                                        | -                                         | -                                           | -                                                                          | -                              | -                                | -                                | -                                         | -                                           | -                                                                          | -                              | -                                | -                                |
| Total closing adjustments                                            | 42                                        | 22,884                                      | 332                                                                        | -                              | -                                | 23,258                           | -                                         | 98,694                                      | -                                                                          | -                              | -                                | 98,694                           |
| Recoveries from collection on financial assets subject to write-offs | -                                         | -                                           | -                                                                          | -                              | -                                | -                                | -                                         | -                                           | -                                                                          | -                              | -                                | -                                |
| Write-offs recognised directly in the income statement               | -                                         | -                                           | -                                                                          | -                              | -                                | -                                | -                                         | -                                           | -                                                                          | -                              | -                                | -                                |

#### A.1.4 Financial assets, commitments to disburse funds and financial guarantees given: trend in total value adjustments and total allocations

| Reasons/risk stages                                                  | Total value adjustments                   |                                             |                                                                            |                                |                                  |                                  |                                                   |                                                                            |                                |                                  |                                  | Total allocations for commitments to disburse funds and financial guarantees given |              |             |                                                                                          |          | Tot. |
|----------------------------------------------------------------------|-------------------------------------------|---------------------------------------------|----------------------------------------------------------------------------|--------------------------------|----------------------------------|----------------------------------|---------------------------------------------------|----------------------------------------------------------------------------|--------------------------------|----------------------------------|----------------------------------|------------------------------------------------------------------------------------|--------------|-------------|------------------------------------------------------------------------------------------|----------|------|
|                                                                      | Third stage assets                        |                                             |                                                                            |                                |                                  |                                  | Purchased or originated impaired financial assets |                                                                            |                                |                                  |                                  |                                                                                    |              |             |                                                                                          |          |      |
|                                                                      | Demand loans with banks and central banks | Financial assets measured at amortised cost | Financial assets measured at fair value through other comprehensive income | Financial assets held for sale | of which: individual write-downs | of which: collective write-downs | Financial assets measured at amortised cost       | Financial assets measured at fair value through other comprehensive income | Financial assets held for sale | of which: individual write-downs | of which: collective write-downs | First stage                                                                        | Second stage | Third stage | Purchased or originated impaired commitments to disburse funds and fin. guarantees given |          |      |
| Total opening adjustments                                            | -                                         | 190,497                                     | -                                                                          | -                              | 190,497                          | -                                | 2,606                                             | -                                                                          | -                              | 2,508                            | 98                               | 515                                                                                | 1,082        | 1,937       | -                                                                                        | 302,964  |      |
| Increases in purchased or originated financial assets                | -                                         | 6,441                                       | -                                                                          | -                              | 6,441                            | -                                |                                                   | -                                                                          | -                              |                                  |                                  | 809                                                                                | 1,906        | 8,375       | -                                                                                        | 32,453   |      |
| Derecognition other than write-offs                                  | -                                         | (564)                                       | -                                                                          | -                              | (564)                            | -                                | (43)                                              | -                                                                          | -                              | (43)                             | -                                | (708)                                                                              | (2,306)      | (7,595)     | -                                                                                        | (16,222) |      |
| Net value adjustments/reversals for credit risk                      | -                                         | (13,029)                                    | -                                                                          | -                              | (13,029)                         | -                                | 22                                                | -                                                                          | -                              | 1,191                            | (1,169)                          | (86)                                                                               | 134          | 33          | -                                                                                        | (7,135)  |      |
| Contractual amendments without derecognition                         | -                                         | 12                                          | -                                                                          | -                              | 12                               | -                                | -                                                 | -                                                                          | -                              | -                                | -                                | -                                                                                  | -            | -           | -                                                                                        | (70)     |      |
| Changes in estimate methodology                                      | -                                         | -                                           | -                                                                          | -                              | -                                | -                                | -                                                 | -                                                                          | -                              | -                                | -                                | -                                                                                  | -            | -           | -                                                                                        | -        |      |
| Write-offs not recognised directly in the income statement           | -                                         | (3,886)                                     | -                                                                          | -                              | (3,886)                          | -                                | (201)                                             | -                                                                          | -                              | -                                | (201)                            | -                                                                                  | -            | -           | -                                                                                        | (4,087)  |      |
| Other changes                                                        | -                                         | -                                           | -                                                                          | -                              | -                                | -                                | 1,493                                             | -                                                                          | -                              | 89                               | 1,404                            | -                                                                                  | -            | -           | -                                                                                        | 1,493    |      |
| Total closing adjustments                                            | -                                         | 179,471                                     | -                                                                          | -                              | 179,471                          | -                                | 3,877                                             | -                                                                          | -                              | 3,745                            | 132                              | 530                                                                                | 816          | 2,750       | -                                                                                        | 309,396  |      |
| Recoveries from collection on financial assets subject to write-offs | -                                         | (1,757)                                     | -                                                                          | -                              | (1,757)                          | -                                | -                                                 | -                                                                          | -                              | -                                | -                                | -                                                                                  | -            | -           | -                                                                                        | (1,757)  |      |
| Write-offs recognised directly in the income statement               | -                                         | (1,388)                                     | -                                                                          | -                              | (1,388)                          | -                                | -                                                 | -                                                                          | -                              | -                                | -                                | -                                                                                  | -            | -           | -                                                                                        | (1,388)  |      |

**A.1.5 Financial assets, commitments to disburse funds and financial guarantees given: transfers between credit risk stages (gross and nominal amounts)**

| Portfolios/risk stages                                                        |                   | Gross amounts/nominal value                    |                                  |                                                |                                  |                                               |                                 |
|-------------------------------------------------------------------------------|-------------------|------------------------------------------------|----------------------------------|------------------------------------------------|----------------------------------|-----------------------------------------------|---------------------------------|
|                                                                               |                   | Transfers between first stage and second stage |                                  | Transfers between second stage and third stage |                                  | Transfers between first stage and third stage |                                 |
|                                                                               |                   | From first stage to second stage               | From second stage to first stage | From second stage to third stage               | From third stage to second stage | From first stage to third stage               | From third stage to first stage |
|                                                                               |                   |                                                |                                  |                                                |                                  |                                               |                                 |
| 1. Financial assets measured at amortised cost                                |                   | 867,350                                        | 403,810                          | 73,395                                         | 7,127                            | 57,580                                        | 2,066                           |
| 2. Financial assets measured at fair value through other comprehensive income |                   | -                                              | -                                | -                                              | -                                | -                                             | -                               |
| 3. Financial assets held for sale                                             |                   | -                                              | -                                | -                                              | -                                | -                                             | -                               |
| 4. Commitments to disburse funds and financial guarantees given               |                   | 123,286                                        | 160,541                          | 1,278                                          | 275                              | 13,973                                        | 184                             |
| <b>Total</b>                                                                  | <b>31.12.2023</b> | <b>990,636</b>                                 | <b>564,351</b>                   | <b>74,673</b>                                  | <b>7,402</b>                     | <b>71,553</b>                                 | <b>2,250</b>                    |
| <b>Total</b>                                                                  | <b>31.12.2022</b> | <b>1,252,032</b>                               | <b>503,249</b>                   | <b>60,536</b>                                  | <b>11,406</b>                    | <b>42,715</b>                                 | <b>999</b>                      |

**A.1.5a New loans granted through public guarantee mechanisms issued against the COVID-19 framework: transfers between credit risk stages (gross amounts)**

| Portfolios/risk stages                                | Gross amounts                                  |                                  |                                                |                                  |                                               |                                 |
|-------------------------------------------------------|------------------------------------------------|----------------------------------|------------------------------------------------|----------------------------------|-----------------------------------------------|---------------------------------|
|                                                       | Transfers between first stage and second stage |                                  | Transfers between second stage and third stage |                                  | Transfers between first stage and third stage |                                 |
|                                                       | From first stage to second stage               | From second stage to first stage | From second stage to third stage               | From third stage to second stage | From first stage to third stage               | From third stage to first stage |
|                                                       |                                                |                                  |                                                |                                  |                                               |                                 |
| A. Loans measured at amortised cost                   |                                                |                                  |                                                |                                  |                                               |                                 |
| New loans granted through public guarantee mechanisms | 6,097                                          | 8,102                            | 9,435                                          | -                                | 11,566                                        | -                               |
| Total 31.12.2023                                      | 6,097                                          | 8,102                            | 9,435                                          | -                                | 11,566                                        | -                               |

## A.1.6 On- and off-balance sheet credit exposures to banks: gross and net amounts

| Type of exposures/values                     | Gross exposure   |                  |             |                                  |          | Total value adjustments and allocations |              |             |                                  |          | Net exposure     | Total partial write-offs* |
|----------------------------------------------|------------------|------------------|-------------|----------------------------------|----------|-----------------------------------------|--------------|-------------|----------------------------------|----------|------------------|---------------------------|
|                                              | First stage      | Second stage     | Third stage | Purchased or originated impaired |          | First stage                             | Second stage | Third stage | Purchased or originated impaired |          |                  |                           |
| <b>A. ON-BALANCE SHEET CREDIT EXPOSURES</b>  |                  |                  |             |                                  |          |                                         |              |             |                                  |          |                  |                           |
| <b>A.1 ON DEMAND</b>                         | 1,571,370        | 1,571,370        | -           | -                                | -        | 42                                      | 42           | -           | -                                | -        | 1,571,328        | -                         |
| a) Impaired                                  | -                | -                | -           | -                                | -        | -                                       | -            | -           | -                                | -        | -                | -                         |
| b) Non-impaired                              | 1,571,370        | 1,571,370        | -           | X                                | -        | 42                                      | 42           | -           | X                                | -        | 1,571,328        | -                         |
| <b>A.2 OTHER</b>                             | 843,657          | 841,839          | -           | -                                | -        | 1,516                                   | 1,516        | -           | -                                | -        | 842,141          | -                         |
| a) Bad loans                                 | -                | X                | -           | -                                | -        | -                                       | -            | -           | -                                | -        | -                | -                         |
| - of which: forborne exposures               | -                | X                | -           | -                                | -        | -                                       | -            | -           | -                                | -        | -                | -                         |
| b) Unlikely to pay                           | -                | X                | -           | -                                | -        | -                                       | -            | -           | -                                | -        | -                | -                         |
| - of which: forborne exposures               | -                | X                | -           | -                                | -        | -                                       | -            | -           | -                                | -        | -                | -                         |
| c) Impaired past-due exposures               | -                | X                | -           | -                                | -        | -                                       | -            | -           | -                                | -        | -                | -                         |
| - of which: forborne exposures               | -                | X                | -           | -                                | -        | -                                       | -            | -           | -                                | -        | -                | -                         |
| d) Non-impaired past-due exposures           | -                | -                | -           | X                                | -        | -                                       | -            | -           | X                                | -        | -                | -                         |
| - of which: forborne exposures               | -                | -                | -           | X                                | -        | -                                       | -            | -           | X                                | -        | -                | -                         |
| e) Other non-impaired exposures              | 843,657          | 841,839          | -           | X                                | -        | 1,516                                   | 1,516        | -           | X                                | -        | 842,141          | -                         |
| - of which: forborne exposures               | -                | -                | -           | X                                | -        | -                                       | -            | -           | X                                | -        | -                | -                         |
| <b>TOTAL (A)</b>                             | <b>2,415,027</b> | <b>2,413,209</b> |             |                                  |          | <b>1,558</b>                            | <b>1,558</b> |             |                                  |          | <b>2,413,469</b> | <b>-</b>                  |
| <b>B. OFF-BALANCE SHEET CREDIT EXPOSURES</b> |                  |                  |             |                                  |          |                                         |              |             |                                  |          |                  |                           |
| a) Impaired                                  | -                | X                | -           | -                                | -        | -                                       | -            | -           | -                                | -        | -                | -                         |
| b) Non-impaired                              | 487,060          | 16,329           | -           | X                                | -        | 2                                       | 2            | -           | X                                | -        | 487,058          | -                         |
| <b>TOTAL (B)</b>                             | <b>487,060</b>   | <b>16,329</b>    | <b>-</b>    | <b>X</b>                         | <b>-</b> | <b>2</b>                                | <b>2</b>     | <b>-</b>    | <b>X</b>                         | <b>-</b> | <b>487,058</b>   | <b>-</b>                  |
| <b>TOTAL (A+B)</b>                           | <b>2,902,087</b> | <b>2,429,538</b> |             |                                  |          | <b>1,560</b>                            | <b>1,560</b> |             |                                  |          | <b>2,900,527</b> | <b>-</b>                  |

"On-balance sheet credit exposures" include all on-balance sheet financial assets claimed from banks, regardless of the accounting allocation portfolio.

"Off-balance sheet credit exposures" include all off-balance sheet financial transactions (guarantees given, commitments, derivatives, etc.) involving the assumption of credit risk, whatever the purpose of the transactions (trading, hedging, etc.).

#### A.1.7 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 | Purchase d or originate d impaired |              |                           |        |
| A. ON-BALANCE SHEET CREDIT EXPOSURES  |            |                |              |             |                                  |                                         |              |             |                                    |              |                           |        |
| a) Bad loans                          | 154,722    |                |              | 147,425     | 7,297                            | 107,833                                 |              |             | 106,448                            | 1,385        | 46,889                    | 18,708 |
| - of which: forbore exposures         | 13,736     |                |              | 13,487      | 249                              | 8,618                                   |              |             | 8,520                              | 98           | 5,118                     |        |
| b) Unlikely to pay                    | 209,243    |                |              | 198,369     | 10,874                           | 73,189                                  |              |             | 70,827                             | 2,362        | 136,054                   |        |
| - of which: forbore exposures         | 75,157     |                |              | 69,458      | 5,699                            | 25,920                                  |              |             | 24,798                             | 1,122        | 49,237                    |        |
| c) Impaired past-due exposures        | 11,882     |                |              | 11,882      |                                  | 2,195                                   |              |             | 2,195                              |              | 9,687                     |        |
| - of which: forbore exposures         | 2,876      |                |              | 2,876       |                                  | 636                                     |              |             | 636                                |              | 2,240                     |        |
| d) Non-impaired past-due exposures    | 45,414     | 11,837         | 33,576       |             | 1                                | 2,165                                   | 56           | 2,109       |                                    |              | 43,249                    |        |
| - of which: forbore exposures         | 2,942      |                | 2,941        |             | 1                                | 322                                     |              | 322         |                                    |              | 2,620                     |        |
| e) Other non-impaired exposures       | 14,686,351 | 12,537,091     | 2,145,742    |             | 3,486                            | 118,358                                 | 21,642       | 96,585      |                                    | 131          | 14,567,993                |        |
| - of which: forbore exposures         | 75,423     | 472            | 74,315       |             | 636                              | 7,591                                   |              | 7,544       |                                    | 47           | 67,832                    |        |
| TOTAL (A)                             | 15,107,612 | 12,548,928     | 2,179,318    | 357,676     | 21,658                           | 303,740                                 | 21,698       | 98,694      | 179,470                            | 3,878        | 14,803,872                | 18,708 |
| B. OFF-BALANCE SHEET CREDIT EXPOSURES |            |                |              |             |                                  |                                         |              |             |                                    |              |                           |        |
| a) Impaired                           | 23,872     |                |              | 23,872      |                                  | 2,746                                   |              |             | 2,746                              |              | 21,126                    | -      |
| b) Non-impaired                       | 4,240,455  | 3,443,864      | 168,256      |             |                                  | 1,347                                   | 531          | 816         |                                    |              | 4,239,108                 | -      |
| TOTAL (B)                             | 4,264,327  | 3,443,864      | 168,256      | 23,872      |                                  | 4,093                                   | 531          | 816         | 2,746                              |              | 4,260,234                 | -      |
| TOTAL (A+B)                           | 19,371,939 | 15,992,792     | 2,347,574    | 381,548     | 21,658                           | 307,833                                 | 22,229       | 99,510      | 182,216                            | 3,878        | 19,064,106                | 18,708 |

"On-balance sheet credit exposures" include all on-balance sheet financial assets claimed from customers, regardless of the accounting allocation portfolio.

"Off-balance sheet credit exposures" include all off-balance sheet financial transactions (guarantees given, commitments, derivatives, etc.) involving the assumption of credit risk, whatever the purpose of the transactions (trading, hedging, etc.).

**A.1.7a On-balance-sheet credit exposures to customers: new loans granted through public guarantee mechanisms issued against the COVID-19 framework - gross and net amounts**

|                                                       | Gross exposure |              |             |                                  | Total value adjustments and allocations |              |             |                                  |        | Net exposure |           |
|-------------------------------------------------------|----------------|--------------|-------------|----------------------------------|-----------------------------------------|--------------|-------------|----------------------------------|--------|--------------|-----------|
|                                                       | First stage    | Second stage | Third stage | Purchased or originated impaired | First stage                             | Second stage | Third stage | Purchased or originated impaired |        |              |           |
| A. BAD LOANS                                          | 23,518         | -            | -           | 23,473                           | 45                                      | 8,429        | -           | -                                | 8,407  | 22           | 15,089    |
| New loans granted through public guarantee mechanisms | 23,518         | -            | -           | 23,473                           | 45                                      | 8,429        | -           | -                                | 8,407  | 22           | 15,089    |
| B. UNLIKELY TO PAY                                    | 57,440         | -            | -           | 55,986                           | 1,454                                   | 12,254       | -           | -                                | 12,011 | 243          | 45,186    |
| New loans granted through public guarantee mechanisms | 57,440         | -            | -           | 55,986                           | 1,454                                   | 12,254       | -           | -                                | 12,011 | 243          | 45,186    |
| C. IMPAIRED PAST-DUE LOANS                            | 1,649          | -            | -           | 1,649                            | -                                       | 287          | -           | -                                | 287    | -            | 1,362     |
| New loans granted through public guarantee mechanisms | 1,649          | -            | -           | 1,649                            | -                                       | 287          | -           | -                                | 287    | -            | 1,362     |
| D. PERFORMING LOANS                                   | 7,689          | 832          | 6,857       | -                                | -                                       | 149          | 1           | 148                              | -      | -            | 7,540     |
| New loans granted through public guarantee mechanisms | 7,689          | 832          | 6,857       | -                                | -                                       | 149          | 1           | 148                              | -      | -            | 7,540     |
| E. OTHER PERFORMING LOANS                             | 1,719,581      | 1,323,973    | 395,095     | -                                | 513                                     | 6,715        | 1,597       | 5,108                            | -      | 10           | 1,712,866 |
| New loans granted through public guarantee mechanisms | 1,719,581      | 1,323,973    | 395,095     | -                                | 513                                     | 6,715        | 1,597       | 5,108                            | -      | 10           | 1,712,866 |
| TOTAL (A+B+C+D+E)                                     | 1,809,877      | 1,324,805    | 401,952     | 81,108                           | 2,012                                   | 27,834       | 1,598       | 5,256                            | 20,705 | 275          | 1,782,043 |

**A.1.8 On-balance sheet credit exposures to banks: trend in gross impaired exposures**

Not present at the reporting date

**A.1.8 bis On-balance sheet credit exposures to banks: trend in forborne gross exposures broken down by credit quality**

Not present at the reporting date.

### A.1.9 On-balance sheet credit exposures to customers: trend in gross impaired exposures

| Reasons/Categories                                                      | Bad loans      | Unlikely to pay | Impaired past-due |
|-------------------------------------------------------------------------|----------------|-----------------|-------------------|
| <b>A. Opening gross exposure</b>                                        | <b>180,751</b> | <b>199,353</b>  | <b>4,488</b>      |
| - of which: exposures transferred not derecognised                      |                |                 |                   |
| <b>B. Increases</b>                                                     | <b>69,793</b>  | <b>190,279</b>  | <b>23,557</b>     |
| B.1 reclassified from non-impaired exposures                            | 4              | 138,055         | 17,258            |
| B.2 reclassified from purchased or originated impaired financial assets | 4,591          | 2,601           | 187               |
| B.3 reclassified from other impaired exposure categories                | 64,453         | 6,092           |                   |
| B.4 contractual amendments without derecognition                        |                | 12              | 1,344             |
| B.5 other increases                                                     | 745            | 43,519          | 4,768             |
| <b>C. Decreases</b>                                                     | <b>95,822</b>  | <b>180,389</b>  | <b>16,163</b>     |
| C.1 reclassified to non-impaired exposures                              | 126            | 11,631          | 3,258             |
| C.2 write-offs                                                          | 3,366          |                 |                   |
| C.3 collections                                                         | 23,603         | 69,990          | 6,812             |
| C.4 proceeds from sale                                                  | 17,183         | 22,123          |                   |
| C.5 losses on sale                                                      | 50,717         | 10,849          |                   |
| C.6 reclassified to other impaired exposure categories                  |                |                 |                   |
| C.7 contractual amendments without derecognition                        |                |                 |                   |
| C.8 other decreases                                                     | 827            | 65,796          | 6,093             |
| <b>D. Closing gross exposure</b>                                        | <b>154,722</b> | <b>209,243</b>  | <b>11,882</b>     |
| - of which: exposures transferred not derecognised                      | -              | -               | -                 |

### A.1.9bis On-balance sheet credit exposures to customers: trend in forborne gross exposures broken down by credit quality

| Reasons/Quality                                           | Forborne exposures: impaired | Forborne exposures: non-impaired |
|-----------------------------------------------------------|------------------------------|----------------------------------|
| <b>A. Opening gross exposure</b>                          | <b>108,547</b>               | <b>137,037</b>                   |
| - of which: exposures transferred not derecognised        | -                            | -                                |
| <b>B. Increases</b>                                       | <b>95,462</b>                | <b>67,011</b>                    |
| B.1 reclassified from non-impaired non-forborne exposures | 7,146                        | 26,600                           |
| B.2 reclassified from non-impaired forborne exposures     | 23,306                       | X                                |
| B.3 reclassified from impaired forborne exposures         | X                            | 6,397                            |
| B.4 reclassified from impaired non-forborne exposures     | 50,630                       | -                                |
| B.5 other increases                                       | 14,380                       | 34,014                           |
| <b>C. Decreases</b>                                       | <b>112,239</b>               | <b>125,683</b>                   |
| C.1 reclassified to non-impaired non-forborne exposures   | X                            | 79,690                           |
| C.2 reclassified to non-impaired forborne exposures       | 6,397                        | X                                |
| C.3 reclassified to impaired forborne exposures           | X                            | 23,306                           |
| C.4 write-offs                                            | 924                          | -                                |
| C.5 collections                                           | 14,729                       | 18,013                           |
| C.6 proceeds from sale                                    | 14,187                       | 3                                |
| C.7 losses on sale                                        | 12,607                       | -                                |
| C.8 other decreases                                       | 63,395                       | 4,671                            |
| <b>D. Closing gross exposure</b>                          | <b>91,770</b>                | <b>78,365</b>                    |
| - of which: exposures transferred not derecognised        | -                            | -                                |

### A.1.10 Impaired on-balance sheet credit exposures to banks: trend in total value adjustments

Not present at the reporting date.



#### A.1.11 Impaired on-balance sheet credit exposures to customers: trend in total value adjustments

| Reasons/Categories                                                           | Bad loans      |                                    | Unlikely to pay |                                    | Impaired past-due |                                    |
|------------------------------------------------------------------------------|----------------|------------------------------------|-----------------|------------------------------------|-------------------|------------------------------------|
|                                                                              | Total          | of which:<br>forborne<br>exposures | Total           | of which:<br>forborne<br>exposures | Total             | of which:<br>forborne<br>exposures |
| <b>A. Total opening adjustments</b>                                          | <b>121,785</b> | <b>11,526</b>                      | <b>70,609</b>   | <b>30,611</b>                      | <b>611</b>        | <b>155</b>                         |
| - of which: exposures transferred not derecognised                           | -              | -                                  | -               | -                                  | -                 | -                                  |
| <b>B. Increases</b>                                                          | <b>56,033</b>  | <b>7,910</b>                       | <b>48,643</b>   | <b>12,307</b>                      | <b>2,638</b>      | <b>688</b>                         |
| B.1 value adjustments from purchased or originated impaired financial assets | -              | X                                  | -               | X                                  | -                 | X                                  |
| B.2 other value adjustments                                                  | 36,857         | 1,745                              | 41,347          | 10,608                             | 2,144             | 663                                |
| B.3 losses on sale                                                           | 8,000          | 2,155                              | 5,976           | 791                                | -                 | -                                  |
| B.4 reclassified from other impaired exposure categories                     | 10,743         | 4,010                              | 316             | 37                                 | 28                | 25                                 |
| B.5 contractual amendments without derecognition                             | -              | -                                  | -               | -                                  | -                 | -                                  |
| B.6 other increases                                                          | 433            | -                                  | 1,004           | 871                                | 466               | -                                  |
| <b>C. Decreases</b>                                                          | <b>69,984</b>  | <b>10,818</b>                      | <b>46,065</b>   | <b>16,998</b>                      | <b>1,053</b>      | <b>207</b>                         |
| C.1 reversals from valuation                                                 | 1,341          | 178                                | 10,280          | 5,331                              | 257               | 88                                 |
| C.2 reversals from collection                                                | 6,080          | 2,206                              | 5,786           | 428                                | 246               | 9                                  |
| C.3 gains on sale                                                            | 480            | 333                                | 2,637           | 1,690                              | -                 | -                                  |
| C.4 write-offs                                                               | 3,366          | 924                                | -               | -                                  | -                 | -                                  |
| C.5 reclassified to other impaired exposure categories                       | -              | -                                  | 10,537          | 3,962                              | 550               | 110                                |
| C.6 contractual amendments without derecognition                             | -              | -                                  | -               | -                                  | -                 | -                                  |
| C.7 other decreases                                                          | 58,717         | 7,177                              | 16,825          | 5,587                              | -                 | -                                  |
| <b>D. Total closing adjustments</b>                                          | <b>107,834</b> | <b>8,618</b>                       | <b>73,187</b>   | <b>25,920</b>                      | <b>2,196</b>      | <b>636</b>                         |
| - of which: exposures transferred not derecognised                           | -              | -                                  | -               | -                                  | -                 | -                                  |

## A.2 Breakdown of financial assets, commitments to disburse funds and financial guarantees given by external and internal rating classes

### A.2.1 Breakdown of financial assets, commitments to disburse funds and financial guarantees given by external rating classes (gross amounts)

| Exposures                                                                            | External rating classes |                |                  |                  |                |               | Unrated           | Total             |
|--------------------------------------------------------------------------------------|-------------------------|----------------|------------------|------------------|----------------|---------------|-------------------|-------------------|
|                                                                                      | Class 1                 | class 2        | class 3          | class 4          | class 5        | class 6       |                   |                   |
| <b>A. Financial assets measured at amortised cost</b>                                | <b>68,449</b>           | <b>419,936</b> | <b>3,355,219</b> | <b>791,983</b>   | <b>135,191</b> | <b>65,182</b> | <b>10,290,871</b> | <b>15,126,831</b> |
| - First stage                                                                        | 56,364                  | 394,098        | 3,251,234        | 653,982          | 84,194         | 22,859        | 8,105,445         | 12,568,176        |
| - Second stage                                                                       | 12,085                  | 25,838         | 103,716          | 136,977          | 50,945         | 42,323        | 1,807,435         | 2,179,319         |
| - Third stage                                                                        | -                       | -              | 266              | 1,024            | 52             | -             | 356,333           | 357,675           |
| - Purchased or originated impaired                                                   | -                       | -              | 3                | -                | -              | -             | 21,658            | 21,661            |
| <b>B. Financial assets measured at fair value through other comprehensive income</b> | <b>574</b>              | <b>-</b>       | <b>746,373</b>   | <b>16,341</b>    | <b>-</b>       | <b>-</b>      | <b>59,301</b>     | <b>822,589</b>    |
| - First stage                                                                        | 574                     | -              | 746,373          | 16,341           | -              | -             | 59,301            | 822,589           |
| - Second stage                                                                       | -                       | -              | -                | -                | -              | -             | -                 | -                 |
| - Third stage                                                                        | -                       | -              | -                | -                | -              | -             | -                 | -                 |
| - Purchased or originated impaired                                                   | -                       | -              | -                | -                | -              | -             | -                 | -                 |
| <b>C. Financial assets held for sale</b>                                             | <b>-</b>                | <b>-</b>       | <b>-</b>         | <b>-</b>         | <b>-</b>       | <b>-</b>      | <b>-</b>          | <b>-</b>          |
| - First stage                                                                        | -                       | -              | -                | -                | -              | -             | -                 | -                 |
| - Second stage                                                                       | -                       | -              | -                | -                | -              | -             | -                 | -                 |
| - Third stage                                                                        | -                       | -              | -                | -                | -              | -             | -                 | -                 |
| - Purchased or originated impaired                                                   | -                       | -              | -                | -                | -              | -             | -                 | -                 |
| <b>Total (A+B+C)</b>                                                                 | <b>69,023</b>           | <b>419,936</b> | <b>4,101,592</b> | <b>808,324</b>   | <b>135,191</b> | <b>65,182</b> | <b>10,350,172</b> | <b>15,949,420</b> |
| <b>D. Commitments to disburse funds and financial guarantees given</b>               | <b>74,178</b>           | <b>267,837</b> | <b>389,183</b>   | <b>239,553</b>   | <b>28,339</b>  | <b>19,852</b> | <b>2,633,377</b>  | <b>3,652,319</b>  |
| - First stage                                                                        | 74,178                  | 254,308        | 371,830          | 232,146          | 20,347         | 19,834        | 2,487,549         | 3,460,192         |
| - Second stage                                                                       | -                       | 13,529         | 17,353           | 7,407            | 7,730          | 18            | 122,219           | 168,256           |
| - Third stage                                                                        | -                       | -              | -                | -                | 262            | -             | 23,609            | 23,871            |
| - Purchased or originated impaired                                                   | -                       | -              | -                | -                | -              | -             | -                 | -                 |
| <b>Total (D)</b>                                                                     | <b>74,178</b>           | <b>267,837</b> | <b>389,183</b>   | <b>239,553</b>   | <b>28,339</b>  | <b>19,852</b> | <b>2,633,377</b>  | <b>3,652,319</b>  |
| <b>Total (A+B+C+D)</b>                                                               | <b>143,201</b>          | <b>687,773</b> | <b>4,490,775</b> | <b>1,047,877</b> | <b>163,530</b> | <b>85,034</b> | <b>12,983,549</b> | <b>19,601,739</b> |

The assignment of external ratings refers to positions in the Bank's own securities portfolio and to financing positions for which the Cerved External Credit Assessment Institution (ECAI) has assigned a credit risk rating.

Below is a reconciliation table between the rating classes indicated in Table A.2.1 and those provided by the ECAI Moody's and Mode Finance, the agencies to which the Group refers to determine its external ratings.

| Creditworthiness classes | Moody's Rating    | Mode Finance      |
|--------------------------|-------------------|-------------------|
| 1                        | from Aaa to Aa3   | from EA1 to EA2-  |
| 2                        | from A1 to A3     | from EA3+ to EA3- |
| 3                        | from Baa1 to Baa3 | from EB1+ to EB1- |
| 4                        | from Ba1 to Ba3   | from EB2+ to EB2- |
| 5                        | from B1 to B3     | from EB3+ to EB3- |
| 6                        | Caa1 and below    | EC1+ and below    |

## A.2.2 Breakdown of financial assets, commitments to disburse funds and financial guarantees given by internal rating classes (gross amounts)

The Bank does not use internal rating models to determine capital requirements.

The Bank uses, for management purposes, a rating model geared towards the assessment of Private Consumer and Business customers (Retail, Corporate and Financial and Institutional companies)

The following table shows the weight of each rating class in relation to total exposures for performing exposures belonging to the aforementioned exposure segments.

| Exposures                   | Internal rating classes |        |         |                             |       |
|-----------------------------|-------------------------|--------|---------|-----------------------------|-------|
|                             | 1 to 4                  | 5 to 6 | 7 to 10 | Financial and Institutional | Total |
| On-balance sheet exposures  | 64.41%                  | 28.92% | 4.87%   | 1.80%                       | 100%  |
| Off-balance sheet exposures | 76.61%                  | 15.04% | 5.50%   | 2.85%                       | 100%  |

## A.3 Breakdown of secured credit exposures by type of guarantee

### A.3.1 Secured on- and off-balance sheet credit exposures to banks

Not present at the reporting date.

### A.3.2 Secured on- and off-balance sheet credit exposures to customers (Part 1)

|                                                | Gross exposure | Net exposure | Collaterals            |                            |            |                   | Personal guarantees |                                             |
|------------------------------------------------|----------------|--------------|------------------------|----------------------------|------------|-------------------|---------------------|---------------------------------------------|
|                                                |                |              | (1)                    |                            |            |                   | (2)                 |                                             |
|                                                |                |              | Derivatives on loans   |                            |            |                   |                     |                                             |
|                                                |                |              | Properties - Mortgages | Properties - Finance lease | Securities | Other collaterals | CLN                 | Other derivatives<br>Central counterparties |
| 1. Secured on-balance sheet credit exposures:  | 8,384,733      | 8,147,064    | 4,740,604              | 64,596                     | 238,530    | 151,250           | -                   | -                                           |
| 1.1. fully secured                             | 7,019,219      | 6,803,673    | 4,737,856              | 64,596                     | 214,210    | 148,130           | -                   | -                                           |
| - of which impaired                            | 267,405        | 145,999      | 87,826                 | 4,379                      | 829        | 1,627             | -                   | -                                           |
| 1.2. partially secured                         | 1,365,514      | 1,343,391    | 2,748                  | -                          | 24,320     | 3,120             | -                   | -                                           |
| - of which impaired                            | 48,198         | 32,019       | 63                     | -                          | 213        | 76                | -                   | -                                           |
| 2. Secured off-balance sheet credit exposures: | 872,542        | 871,443      | 3,559                  | -                          | 72,378     | 42,162            | -                   | -                                           |
| 2.1. fully secured                             | 743,609        | 742,564      | 3,559                  | -                          | 56,682     | 36,921            | -                   | -                                           |
| - of which impaired                            | 6,290          | 5,833        | 48                     | -                          | 51         | 260               | -                   | -                                           |
| 2.2. partially secured                         | 128,933        | 128,879      | -                      | -                          | 15,696     | 5,241             | -                   | -                                           |
| - of which impaired                            | 1,449          | 1,449        | -                      | -                          | 26         | 76                | -                   | -                                           |

**A.3.2 Secured on- and off-balance sheet credit exposures to customers  
(Part 2)**

|                                                | Personal guarantees<br>(2) |                    |                |                           |       |                              |                | Total<br>(1)+(2) |
|------------------------------------------------|----------------------------|--------------------|----------------|---------------------------|-------|------------------------------|----------------|------------------|
|                                                | Derivatives on loans       |                    |                | Unsecured loans           |       |                              |                |                  |
|                                                | Other derivatives          |                    |                | Public<br>Administrations | Banks | Other financial<br>companies | Other entities |                  |
|                                                | Banks                      | Other<br>financial | Other entities |                           |       |                              |                |                  |
| 1. Secured on-balance sheet credit exposures:  | -                          | -                  | -              | 1,847,575                 | 29    | 27,062                       | 820,175        | 7,889,821        |
| 1.1. fully secured                             | -                          | -                  | -              | 893,388                   | 29    | 25,976                       | 715,812        | 6,799,997        |
| - of which impaired                            | -                          | -                  | -              | 34,505                    | -     | 240                          | 16,533         | 145,939          |
| 1.2. partially secured                         | -                          | -                  | -              | 954,187                   | -     | 1,086                        | 104,363        | 1,089,824        |
| - of which impaired                            | -                          | -                  | -              | 26,940                    | -     | 19                           | 726            | 28,037           |
| 2. Secured off-balance sheet credit exposures: | -                          | -                  | -              | 7,718                     | 675   | 28,433                       | 665,979        | 820,904          |
| 2.1. fully secured                             | -                          | -                  | -              | 4,026                     | 10    | 26,209                       | 615,125        | 742,532          |
| - of which impaired                            | -                          | -                  | -              | 54                        | -     | -                            | 5,420          | 5,833            |
| 2.2. partially secured                         | -                          | -                  | -              | 3,692                     | 665   | 2,224                        | 50,854         | 78,372           |
| - of which impaired                            | -                          | -                  | -              | 266                       | -     | -                            | 951            | 1,319            |

## B Breakdown and concentration of credit exposures

### B.1 breakdown by sector of on- and off-balance sheet credit exposures to customers (carrying amount)

#### (Part 1)

| Exposures/Counterparties                     | Public Administrations |                         | Financial companies |                         | Financial companies (of which: insurance companies) |                         |
|----------------------------------------------|------------------------|-------------------------|---------------------|-------------------------|-----------------------------------------------------|-------------------------|
|                                              | Net exposure           | Total value adjustments | Net exposure        | Total value adjustments | Net exposure                                        | Total value adjustments |
| <b>A. On-balance sheet credit exposures</b>  |                        |                         |                     |                         |                                                     |                         |
| A.1 Bad loans                                | -                      | -                       | 36                  | 10,520                  | -                                                   | -                       |
| - of which: forborne exposures               | -                      | -                       | -                   | -                       | -                                                   | -                       |
| A.2 Unlikely to pay                          | -                      | -                       | 37                  | 101                     | -                                                   | -                       |
| - of which: forborne exposures               | -                      | -                       | -                   | 16                      | -                                                   | -                       |
| A.3 Impaired past-due exposures              | 438                    | 92                      | -                   | -                       | -                                                   | -                       |
| - of which: forborne exposures               | -                      | -                       | -                   | -                       | -                                                   | -                       |
| A.4 Non-impaired exposures                   | 3,055,967              | 1,499                   | 1,735,599           | 10,140                  | 7,269                                               | 56                      |
| - of which: forborne exposures               | -                      | 1                       | 446                 | 7                       | -                                                   | -                       |
| <b>Total A</b>                               | <b>3,056,405</b>       | <b>1,591</b>            | <b>1,735,672</b>    | <b>20,761</b>           | <b>7,269</b>                                        | <b>56</b>               |
| <b>B. Off-balance sheet credit exposures</b> |                        |                         |                     |                         |                                                     |                         |
| B.1 Impaired exposures                       | -                      | -                       | -                   | -                       | -                                                   | -                       |
| B.2 Non-impaired exposures                   | 76,891                 | -                       | 213,368             | 120                     | -                                                   | -                       |
| <b>Total B</b>                               | <b>76,891</b>          | <b>-</b>                | <b>213,368</b>      | <b>120</b>              | <b>-</b>                                            | <b>-</b>                |
| <b>Total (A+B)</b>                           | <b>31.12.2023</b>      | <b>3,133,296</b>        | <b>1,591</b>        | <b>1,949,040</b>        | <b>20,881</b>                                       | <b>56</b>               |
| <b>Total (A+B)</b>                           | <b>31.12.2022</b>      | <b>3,125,074</b>        | <b>692</b>          | <b>1,839,677</b>        | <b>17,046</b>                                       | <b>-</b>                |

**B.1 breakdown by sector of on- and off-balance sheet credit exposures to customers (carrying amount)**

**(Part 2)**

| Exposures/Counterparties                     | Non-financial companies |                         | Households       |                         |
|----------------------------------------------|-------------------------|-------------------------|------------------|-------------------------|
|                                              | Net exposure            | Total value adjustments | Net exposure     | Total value adjustments |
| <b>A. On-balance sheet credit exposures</b>  |                         |                         |                  |                         |
| A.1 Bad loans                                | 36,513                  | 86,308                  | 10,340           | 11,006                  |
| - of which: forborne exposures               | 3,488                   | 6,820                   | 1,630            | 1,797                   |
| A.2 Unlikely to pay                          | 92,251                  | 53,605                  | 43,766           | 19,481                  |
| - of which: forborne exposures               | 29,517                  | 16,947                  | 19,721           | 8,958                   |
| A.3 Impaired past-due exposures              | 5,638                   | 1,343                   | 3,611            | 760                     |
| - of which: forborne exposures               | 2,048                   | 584                     | 193              | 51                      |
| A.4 Non-impaired exposures                   | 5,466,433               | 69,886                  | 4,353,243        | 38,999                  |
| - of which: forborne exposures               | 42,352                  | 5,094                   | 27,654           | 2,813                   |
| <b>Total A</b>                               | <b>5,600,835</b>        | <b>211,142</b>          | <b>4,410,960</b> | <b>70,246</b>           |
| <b>B. Off-balance sheet credit exposures</b> |                         |                         |                  |                         |
| B.1 Impaired exposures                       | 20,166                  | 2,674                   | 960              | 72                      |
| B.2 Non-impaired exposures                   | 3,120,022               | 961                     | 223,159          | 266                     |
| <b>Total B</b>                               | <b>3,140,188</b>        | <b>3,635</b>            | <b>224,119</b>   | <b>338</b>              |
| <b>Total (A+B)</b>                           | <b>31.12.2023</b>       | <b>8,741,023</b>        | <b>4,635,079</b> | <b>70,584</b>           |
| <b>Total (A+B)</b>                           | <b>31.12.2022</b>       | <b>9,034,999</b>        | <b>4,166,640</b> | <b>74,540</b>           |

**B.2 Breakdown by territory of on- and off-balance credit sheet exposures to customers  
(Part 1)**

| Exposures/Geographical areas                 |                   | Italy             |                         | Other European countries |                         | America       |
|----------------------------------------------|-------------------|-------------------|-------------------------|--------------------------|-------------------------|---------------|
|                                              |                   | Net exposures     | Total value adjustments | Net exposures            | Total value adjustments | Net exposures |
| <b>A. On-balance sheet credit exposures</b>  |                   |                   |                         |                          |                         |               |
| A.1 Bad loans                                |                   | 46,889            | (107,834)               | -                        | -                       | -             |
| A.2 Unlikely to pay                          |                   | 135,120           | (72,331)                | 934                      | (856)                   | -             |
| A.3 Impaired past-due exposures              |                   | 9,684             | (2,195)                 | 3                        | -                       | -             |
| A.4 Non-impaired exposures                   |                   | 14,394,086        | (120,215)               | 214,892                  | (308)                   | 1,335         |
| <b>Total (A)</b>                             |                   | <b>14,585,779</b> | <b>(302,575)</b>        | <b>215,829</b>           | <b>(1,164)</b>          | <b>1,335</b>  |
| <b>B. Off-balance sheet credit exposures</b> |                   |                   |                         |                          |                         |               |
| B.1 Impaired exposures                       |                   | 21,086            | (2,746)                 | 40                       | -                       | -             |
| B.2 Non-impaired exposures                   |                   | 3,601,154         | (1,346)                 | 31,400                   | (1)                     | 886           |
| <b>Total (B)</b>                             |                   | <b>3,622,240</b>  | <b>(4,092)</b>          | <b>31,440</b>            | <b>(1)</b>              | <b>886</b>    |
| <b>Total (A+B)</b>                           | <b>31.12.2023</b> | <b>18,208,019</b> | <b>(306,667)</b>        | <b>247,270</b>           | <b>(1,165)</b>          | <b>2,221</b>  |
| <b>Total (A+B)</b>                           | <b>31.12.2022</b> | <b>17,994,992</b> | <b>(300,831)</b>        | <b>168,736</b>           | <b>(442)</b>            | <b>2,251</b>  |

**B.2 Breakdown by territory of on- and off-balance credit sheet exposures to customers  
(Part 2)**

| Exposures/Geographical areas                 |                   | America                    |               | Asia                       |               | Rest of the world          |               |
|----------------------------------------------|-------------------|----------------------------|---------------|----------------------------|---------------|----------------------------|---------------|
|                                              |                   | Total value<br>adjustments | Net exposures | Total value<br>adjustments | Net exposures | Total value<br>adjustments | Net exposures |
| <b>A. On-balance sheet credit exposures</b>  |                   |                            |               |                            |               |                            |               |
| A.1 Bad loans                                |                   | -                          | -             | -                          | -             | -                          | -             |
| A.2 Unlikely to pay                          |                   | -                          | -             | -                          | -             | -                          | -             |
| A.3 Impaired past-due exposures              |                   | -                          | -             | -                          | -             | -                          | -             |
| A.4 Non-impaired exposures                   |                   | -                          | 437           | -                          | 492           | (1)                        |               |
| <b>Total (A)</b>                             |                   | -                          | <b>437</b>    | -                          | <b>492</b>    | <b>(1)</b>                 |               |
| <b>B. Off-balance sheet credit exposures</b> |                   |                            |               |                            |               |                            |               |
| B.1 Impaired exposures                       |                   | -                          | -             | -                          | -             | -                          | -             |
| B.2 Non-impaired exposures                   |                   | -                          | -             | -                          | -             | -                          | -             |
| <b>Total (B)</b>                             |                   | -                          | -             | -                          | -             | -                          | -             |
| <b>Total (A+B)</b>                           | <b>31.12.2023</b> | -                          | <b>437</b>    | -                          | <b>492</b>    | <b>(1)</b>                 |               |
| <b>Total (A+B)</b>                           | <b>31.12.2022</b> | (1)                        | <b>374</b>    | (1)                        | <b>37</b>     | -                          |               |



**B.3 Breakdown by territory of on- and off-balance sheet credit exposures to banks**  
**(Part 1)**

| Exposures/Geographical areas                 | Italy            |                         | Other European countries |                         | America       |
|----------------------------------------------|------------------|-------------------------|--------------------------|-------------------------|---------------|
|                                              | Net exposures    | Total value adjustments | Net exposures            | Total value adjustments | Net exposures |
| <b>A. On-balance sheet credit exposures</b>  |                  |                         |                          |                         |               |
| A.1 Bad loans                                | -                | -                       | -                        | -                       | -             |
| A.2 Unlikely to pay                          | -                | -                       | -                        | -                       | -             |
| A.3 Impaired past-due exposures              | -                | -                       | -                        | -                       | -             |
| A.4 Non-impaired exposures                   | 2,285,865        | (1,397)                 | 126,612                  | (160)                   | 210           |
| <b>Total (A)</b>                             | <b>2,285,865</b> | <b>(1,397)</b>          | <b>126,612</b>           | <b>(160)</b>            | <b>210</b>    |
| <b>B. Off-balance sheet credit exposures</b> |                  |                         |                          |                         |               |
| B.1 Impaired exposures                       | -                | -                       | -                        | -                       | -             |
| B.2 Non-impaired exposures                   | 12,473           | (2)                     | 874                      | -                       | -             |
| <b>Total (B)</b>                             | <b>12,473</b>    | <b>(2)</b>              | <b>874</b>               | <b>-</b>                | <b>-</b>      |
| <b>Total (A+B) 31.12.2023</b>                | <b>2,298,338</b> | <b>(1,399)</b>          | <b>127,486</b>           | <b>(161)</b>            | <b>210</b>    |
| <b>Total (A+B) 31.12.2022</b>                | <b>1,369,716</b> | <b>(1,400)</b>          | <b>152,760</b>           | <b>(93)</b>             | <b>2,682</b>  |

**B.3 Breakdown by territory of on- and off-balance sheet credit exposures to banks  
(Part 2)**

| Exposures/Geographical areas                 |                   |  | America                 |               | Asia                    |               | Rest of the world       |               |
|----------------------------------------------|-------------------|--|-------------------------|---------------|-------------------------|---------------|-------------------------|---------------|
|                                              |                   |  | Total value adjustments | Net exposures | Total value adjustments | Net exposures | Total value adjustments | Net exposures |
| <b>A. On-balance sheet credit exposures</b>  |                   |  |                         |               |                         |               |                         |               |
| A.1 Bad loans                                |                   |  | -                       | -             | -                       | -             | -                       | -             |
| A.2 Unlikely to pay                          |                   |  | -                       | -             | -                       | -             | -                       | -             |
| A.3 Impaired past-due exposures              |                   |  | -                       | -             | -                       | -             | -                       | -             |
| A.4 Non-impaired exposures                   |                   |  | -                       | 755           | (1)                     | 27            | -                       | -             |
| <b>Total (A)</b>                             |                   |  | -                       | <b>755</b>    | <b>(1)</b>              | <b>27</b>     | -                       | -             |
| <b>B. Off-balance sheet credit exposures</b> |                   |  |                         |               |                         |               |                         |               |
| B.1 Impaired exposures                       |                   |  | -                       | -             | -                       | -             | -                       | -             |
| B.2 Non-impaired exposures                   |                   |  | -                       | 3,340         | -                       | 100           | -                       | -             |
| <b>Total (B)</b>                             |                   |  | -                       | <b>3,340</b>  | -                       | <b>100</b>    | -                       | -             |
| <b>Total (A+B)</b>                           | <b>31.12.2023</b> |  | -                       | <b>4,095</b>  | <b>(1)</b>              | <b>127</b>    | -                       | -             |
| <b>Total (A+B)</b>                           | <b>31.12.2022</b> |  | <b>(6)</b>              | <b>2,660</b>  | -                       | <b>951</b>    | <b>(1)</b>              |               |

## B.4 Large exposures

With reference to the supervisory regulations in force, the situation at 31 December 2023 was as follows:

| Description     | Amount<br>(carrying amount) | Amount<br>(weighted amount) | Number |
|-----------------|-----------------------------|-----------------------------|--------|
| Large exposures | 9,531,737                   | 409,141                     | 9      |

The positions recorded refer to:

- bank's tax assets and Italian government bonds,
- Group companies,
- participation in the capital of the Bank of Italy,
- guarantees provided by the Guarantee Fund Law No. 662 of 23.12.1996,
- repurchase agreements with Cassa di Compensazione e Garanzia,
- exposures with Crédit Agricole for liquidity deposited as part of the covered bond transaction and for debt securities included in the proprietary portfolio,
- derivative transactions with Intesa SanPaolo SpA,
- exposures with Standard Chartered Bank mainly related to debt securities and long-term repos,
- guarantees provided by SACE.

## C. Securitisation transactions

### Qualitative information

*"2Worlds s.r.l." GACS transaction carried out by Banco Desio as originator*

In the course of 2018, a securitisation transaction was carried out with recourse to the procedure for the release by the Italian State of the guarantee on the securitisation of bad loans on senior securities pursuant to Decree Law 18/2016 ("GACS") aimed at deconsolidating Banco Desio Group loans for a gross countervalue of Euro 1.0 billion (the "Transaction").

The Transaction was structured in order to realise the significant transfer of credit risk associated with the securitised receivables ("SRT") pursuant to Articles 243 et seq. of Regulation (EU) No. 575/2013; the reference bad loans portfolio, transferred on 12 June 2018 to the special purpose vehicle "2Worlds s.r.l." ("SPV" or "Vehicle") specifically set up, is composed of mortgage or unsecured loan contracts granted by Banco di Desio e della Brianza and Banca Popolare di Spoleto in favour of "secured" customers, i.e. with transactions secured by mortgages, and "unsecured", i.e. with transactions without collateral.

On 25 June 2018, the SPV therefore issued the following classes of Asset-Backed Securities (ABS):

- senior securities amounting to Euro 288.5 million, corresponding to 28.8% of the Gross Book Value (GBV) at the date of identification of the loans on 31 December 2020, which were rated "BBB Low" and "BBB" respectively by DBRS Ratings Ltd and Scope Ratings GmbH;
- mezzanine securities in the amount of Euro 30.2 million, which were rated "B Low" and "B" by DBRS Ratings Ltd and Scope Ratings GmbH, respectively;
- junior securities in the amount of Euro 9.0 million, unrated.

On 11 July 2018, the Banco Desio Group accepted the final binding agreement for the sale of 95% of the mezzanine and junior securities, which was finalised on 23 July 2018 through the settlement of the transaction itself and thus the deconsolidation of the transferred bad loans.

On 3 October 2018, the Banco Desio Group received formal notice that the Minister of the Economy and Finance, by order of 5 September 2018, granted the State guarantee on the senior securities issued by the Vehicle with effect as of the date of adoption of the aforementioned order as the conditions had already been verified provided for by Decree Law 18/2016.

It should be noted that during December 2023, Banco Desio repurchased bad loans included in the portfolio sold in 2018 to the securitisation vehicle company "2Worlds srl", subject to an indemnity claim, for a GBV of Euro 22.4 million. The repurchase price was agreed to be Euro 8 million (equal to the original price plus interest and net of any collections from the cut-off to the repurchase date). Receivables were treated in accordance with IFRS9 as POCI (purchased or originated credit impaired) and recorded at a fair value of Euro 4.6 million determined in line with the Bank's valuation policies).

#### *Lumen transaction carried out by Banco Desio through ABS investment*

In 2020, the Bank subscribed to a security (Asset-Backed Security or "ABS") for Euro 50 million, issued by Lumen SPV S.r.l. (special purpose vehicle or "SPV"), having as underlying assets medium- to long-term loans granted by Credimi S.p.A. ("Originator") to SMEs and assisted by a guarantee from Medio Credito Centrale (MCC) as provided for by DL 23 of 8 April 2020 (so-called Liquidity DL). During 2021, another Lumen issue with underlying loans of the same type was subscribed for a further Euro 50 million.

The objectives of the initiative are:

1. obtain an expected return consistent with the risk profile of the transaction with underlying financing guaranteed by Medio Credito Centrale;
2. increase the customer base with a target in line with commercial and credit policies (geography, company size and expected portfolio loss);
3. start operating on fintech channels (co-branded portal) that allow customers a completely online, simple and fast user experience.

#### *Viveracqua transaction carried out by Banco Desio through ABS investment*

During the 2020 financial year, the Bank also made, with a view to diversifying its securities portfolio and in search of an attractive yield, an investment of Euro 5 million in senior notes issued by the special purpose vehicle Viveracqua maturing in 2034 with 6 underlying bond issues of companies operating in the water sector.

#### *Banco Desio investment transactions in third-party senior tranches*

Also with a view to diversifying its securities portfolio during 2021, investments were made in senior tranches of third-party securitisations as follows:

- Euro 30 million referred to a standardised transparent simple senior issue ("STS") of Krypton SPV with underlying loans to SMEs guaranteed by Medio Credito Centrale: as of 31 December 2023, payments of about Euro 28.1 million have been made;
- Euro 15 million referred to a senior issue of the P2P vehicle Lendit with underlying consumer credit loans to private individuals at 31 December 2023, payments of about Euro 7.5 million have been made.

#### *"Cassa Centrale Banca (Buonconsiglio 4)" GACS transaction multioriginator (including Banco Desio)*

In December 2021, Banco Desio also participated in a multi-originator securitisation of bad loans with a GACS state guarantee carried out by the Cassa Centrale Banca team (Buonconsiglio 4). In particular, on 15 December, the Bank finalised the sale without recourse in the form of a securitisation, carried out pursuant to Law 130/1999 (the "Transaction"), of a portfolio of bad loan positions ("NPL") with a total gross value ("GBV") of Euro 22.9 million, in favour of the Special Purpose Vehicle "Buonconsiglio 4 S.r.l." ("SPV" or "Vehicle").

In order to comply with the retention obligation under (i) Art. 405, paragraph 1, of EU Regulation 575/2013 ("CRR"), (ii) Article 51, paragraph 1, of Delegated Regulation (EU) 231/2013 ("AIMFD Regulation") and (iii) Article 254 of Delegated Regulation (EU) 35/2015 ("Solvency II Regulation"), the Group has decided to maintain a net economic interest of the nominal value of each Junior (approximately 7%) and Mezzanine (approximately 6%) tranche transferred to third-party investors, in addition to maintaining 100% of the Senior tranche, pursuant to Article 405, paragraph 1(a) of the CRR. The consideration for the sale, amounting to Euro 4.59 million (gross of the collections of Euro 90 thousand relating to the period 1 August

2021 - 1 December 2021, as provided for by the GACS Decree of 3 August 2016, Article 2, paragraph 1, letter a), was recognised through the subscription by BDB of ABS securities ("Notes") issued by the SPV on 14 December 2021, against the NPL acquired pro-rata by each transferring bank. On 15 December 2021, Banco di Desio e della Brianza signed the final binding agreement for the sale by the Originator banks of approximately 94% of the Mezzanine securities and 93% of the Junior securities formulated by a third-party institutional investor for a pro-rata consideration of Euro 202,322, collecting the consideration on the scheduled settlement date of the securities transaction, i.e. 17 December 2021.

## **Quantitative information**

### **C.1 Exposures deriving from the main "own" securitisation transactions broken down by type of securitised assets and by type of exposure**

| TYPE OF SECURITISED ASSETS/EXPOSURES                    | On-balance sheet exposures |                              |                 |                              |                 |                              |
|---------------------------------------------------------|----------------------------|------------------------------|-----------------|------------------------------|-----------------|------------------------------|
|                                                         | Senior                     |                              | Mezzanine       |                              | Junior          |                              |
|                                                         | Carrying amount            | Value adjustments/ reversals | Carrying amount | Value adjustments/ reversals | Carrying amount | Value adjustments/ reversals |
| A. Fully derecognised from the financial statements     | 120,848                    | 2,460                        | 31              |                              | 1               |                              |
| - financial assets measured at amortised cost           | 120,848                    | 2,460                        |                 |                              |                 |                              |
| B. Partially derecognised from the financial statements |                            |                              |                 |                              |                 |                              |
| C. Not derecognised from the financial statements       |                            |                              |                 |                              |                 |                              |

The exposure in the financial statements represents:

- the value of senior securities at amortised cost (including upfront costs incurred and accrued interest and net of expected credit loss - ECL);
- the fair value of mezzanine and junior securities held, which are recognised as financial assets mandatorily measured at fair value.

**C.2 Exposures deriving from the main “third-party” securitisation transactions broken down by type of securitised assets and by type of exposure**

| TYPE OF UNDERLYING ASSETS/EXPOSURES | On-balance sheet exposures |                              |                 |                              |                 |                              |
|-------------------------------------|----------------------------|------------------------------|-----------------|------------------------------|-----------------|------------------------------|
|                                     | Senior                     |                              | Mezzanine       |                              | Junior          |                              |
|                                     | Carrying amount            | Value adjustments/ reversals | Carrying amount | Value adjustments/ reversals | Carrying amount | Value adjustments/ reversals |
| Loans to customers                  | 98,765                     | 6,273                        |                 |                              |                 |                              |

**E. Disposal transactions**

**C. Financial assets sold and fully derecognised**

**Qualitative information**

In continuity with the strategy of proactive management of non-performing loans and in keeping with the guidelines issued by the European Central Bank, 6 transactions were finalised during the year for the sale of loan portfolios consisting of mortgage and unsecured loans classified as bad loans and unlikely to pay for a gross book value (GBV) of Euro 44.2 million to closed-end investment funds against the investment in units of the funds themselves for a countervalue of Euro 29.7 million.

As emerges from the analysis of the quantitative information reported in the following paragraph, the structure of each of the transactions is such as to have allowed Banco Desio to meet the requirements of IFRS 10 Consolidated Financial Statements concerning the absence of the conditions required for the exercise of control over the relevant investment fund (and therefore the exclusion of the latter from the Banco Desio Group's scope of consolidation). Similarly, the requirements of IFRS 9 Financial Instruments for the substantial transfer of the rights to receive the cash flows from the individual assets transferred and the risks and rewards associated with them are met. This resulted in the total deconsolidation in accounting terms of the same transferred loans for all transactions, also taking into account that no guarantees other than the usual ones on the existence of the loan were granted in favour of each Fund.

In any case, specific periodic reporting has been provided for in the agreements of the transactions (side letters) in order to allow the subscribers of the units adequate mechanisms for feedback of the assets underlying the net asset value of each closed-end fund.

**Quantitative information**

Against the aforementioned disposals, which were multioriginator in nature due to the presence of disposals of impaired loans to the same fund by a plurality of investors, fund units were subscribed in 2023 for:

- Euro 12.9 million in the Persefone fund,
- Euro 11.1 million in the Keystone fund,
- Euro 5.3 million in the P-G CR Manag Uno fund,
- Euro 0.4 million in the Illimity CR fund.

Due to the pre-existing value adjustments at 31 December 2022 on loans to be sold in 2023, net losses from the sale of financial assets at amortised cost of approximately Euro 4.4 million were recorded.

As a result of the aforementioned multioriginator disposals, due to the presence of disposals of impaired loans by a plurality of investors, as of 31 December 2023, Banco Desio held the following investments in closed-end UCI of impaired loans:

1. 25,144,643.00 units of the Keystone Fund, corresponding to 9.0% of the total units issued;
2. 10,337,131.457 units of the Efesto fund, corresponding to 1.2% of the total units issued;
3. 7,767,036 units of the Clessidra fund, corresponding to 3.0% of the total units issued;
4. 6,120,074 units of the Illimity CR fund (class A and A1), corresponding to 2.5% of the total loan units issued (class A and A1);
5. 4,946,851.00 units of the UTP Italia Credit fund, corresponding to 1.1% of the total units issued;
6. 244 units of the Vic2 fund, corresponding to 29.2% of the total units issued;
7. 159 units of the Vir1 fund, corresponding to 10.2% of the total units issued;
8. 206.00 units of the P-G CR Manag Uno fund, corresponding to 23.4% of the total units issued;
9. 139.00 units of the PEG UTP MANAG DT PT fund, corresponding to 19.85% of the total units issued;
10. 34.1845 units of the Back2Bonis fund, corresponding to 1.6% of the total units issued;
11. 12,892,591.00 units of the Persefone fund (formerly Small e Med Npe fund), corresponding to 31.08% of the total units issued.

Taking into account the participation in each of the funds with respect to the plurality of investors involved, the conditions required by IFRS 10 for the exercise of control over the relevant fund are absent in all cases, as are the conditions required by IFRS 9 for the derecognition of the loans transferred due to the changed characteristics of the asset recognised in the balance sheet in place of the loans originated by the Bank (in terms of the number, characteristics and nominal value of the loans) and derecognised as a result of the transactions. To reach these conclusions, the following were evaluated:

- the absence of elements that could identify the ability to direct or control the variable returns of the funds, to which the Bank as unit holder is exposed;
- the number of debtors, the segment to which they belong, the presence of collateral, the timing of recovery and the type of financing: these qualitative factors point to a very strong diversification effect, produced by the presence of different debtors with non-homogeneous characteristics among the various contributing entities, which also corresponds to a different recovery strategy adopted by the Funds compared to that which would have been adopted by the individual member banks;
- in the case of larger contributions relative to the total assets of the funds, the conclusions of a quantitative test articulated by calculating the ratio between the variability of cash flows relative to the loan portfolio of individual member banks and the variability of cash flows relative to the total loan portfolio held by the Fund.

Subscribed units of closed-end investment funds, classified among the instruments mandatorily measured at fair value with impact on the income statement, are valued in accordance with the fair value policy adopted by Banco Desio for the type of asset.

#### **D. Covered bond transactions**

Covered bond transactions in which the originator bank and the lending bank are the same are described in this section.

During 2017, the "Covered Bond - Desio OBG" programme was launched with the aim of obtaining Group benefits in terms of funding (diversification of funding, reduction of the related cost, and extension of the maturities of funding sources). This Programme, which is multi-seller in nature, involves:

- Banco di Desio e della Brianza (Parent Company) in the role of (1) originator bank, (2) financing bank, and (3) covered bond issuing bank;
- Desio OBG S.r.l. (Vehicle or SPV), as a vehicle company specifically set up for the sale of eligible assets by Banco Desio, a 60% subsidiary of the Parent Company;
- BNP Paribas, as the requested swap counterparty in view of the exposure to the possible risk generated by the mismatch between the fixed rate of the covered bond and the rate mix of the sold portfolio.

In 2023, Banco Desio successfully completed the placement of a Covered Bond issue under its Guaranteed Bank Bonds programme (OBG, rated AA by Fitch) for a total amount of Euro 400 million with a maturity of 4.5 years intended for institutional investors.

This is the first European Covered Bond (Premium) issue realised by Banco Desio in compliance with the new European directive implemented in Italy in March 2023.

More specifically, the “Covered Bond - Desio OBG” programme is characterised by:

1. non-recourse, non-revolving transfers of a portfolio of residential mortgage loans;
2. disbursement to the vehicle by Banco Desio of a subordinated loan;
3. Banco di Desio e della Brianza issued Euro 575 million (issued in 2017) and Euro 500 million (issued in 2019) of covered bonds to institutional investors with a 7-year maturity, as well as Euro 100 million (issued in 2021) with 10-year maturity and Euro 400 million (issued in 2023) with 4.5-year maturity;
4. a liability swap on the covered bond issued entered by the vehicle, for a notional amount of Euro 300 million (on the 2017 issue) and for a notional amount of Euro 200 million (on the 2019 issue) with a BNP Paribas counterparty;
5. the conclusion by Banco di Desio e della Brianza of a back-swap, for the same notional amount of Euro with the same counterparty, mirroring the previous one.

The main features of the transaction are summarised below:

- a) *Vehicle name:* Desio OBG S.r.l.;
- b) *Type of underlying loans:* residential mortgages;
- c) *Value of loans transferred from programme start:* a total of Euro 3,055 million;
- d) *Amount of the subordinated loan:* a total of Euro 2,105 million at 31 December 2023;
- e) *Nominal value of covered bonds issued:* Euro 1,575 million;
- f) *Rate of the covered bonds issued:* fixed rate of 0.875% (2017 issue), 0.375% (2019 issue) and 0% with issue price 98.493% (2021 issue) and fixed rate of 4% (2023 issue).

At 31 December 2023, the portfolio of loans transferred by the Bank had a carrying amount of approximately Euro 1,980 million.

## **F. Models for measuring credit risk**

The Bank does not use internal portfolio models to measure credit risk exposure.



## **SECTION 2 – MARKET RISK**

### **2.1 Interest rate risk and price risk - Supervisory trading book**

#### **Qualitative information**

##### **C. General Aspects**

Unexpected changes in market rates, in the presence of differences in the maturity and timing of interest rates on assets and liabilities, lead to a change in the net interest flow and thus in the net interest income. Moreover, such unexpected fluctuations expose the Bank to changes in the economic value of assets and liabilities.

The Bank has adopted a strategy to consolidate a return in line with the budget while ensuring a low risk profile through a low portfolio duration.

##### **D. Interest rate risk and price risk management processes and measurement methods**

In exercising its powers of management and coordination, the Board of Directors issued specific provisions on controls.

The trading activities of the Finance Area are subject to operating limits as set out in the “Risk Policy” and in the texts of internal regulations; in order to contain market risk, specific limits are set on consistency, sensitivity (duration), profitability (stop loss) and Value at Risk (VaR). A specific reporting system is the tool to provide the organisational units involved with adequate information.

The monitoring of indicators and operating limits is carried out, as a first-level control, on an ongoing basis by the Finance Area, while the Risk Management Department performs second-level monitoring, activating any escalation procedures in the event of overruns in accordance with internal regulations.

For the quantification of generic and specific risks, the Group has adopted a model based on the concept of Value at Risk (VaR) in order to express in summary form and in monetary terms the maximum probable loss of a static portfolio with reference to a specific time horizon and a specific confidence level under normal market conditions. This methodology has the advantage of allowing the aggregation of positions taken relating to risk factors of a heterogeneous nature; it also provides a summary number that, being a monetary expression, is easily used by the organisational structure concerned. The VaR model uses the Monte Carlo simulation technique where, given the appropriate assumptions and correlations, it estimates, by calculating a series of possible revaluations, the value of the portfolio and, given the vector of expected portfolio returns, determines the desired percentile of the distribution. The model uses a 95% confidence interval with a time period of 1 day. The application used to calculate VaR is the Bloomberg infoprovider.

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

## Quantitative information

### 1. Supervisory trading book: breakdown by residual maturity (repricing date) of on-balance sheet financial assets and liabilities and financial derivatives - Euro

| Type/Residual maturity                 | On demand | Up to 3 months | Over 3 months to 6 months | Over 6 months to 1 year | Over 1 year to 5 years | Over 5 years to 10 years | Over 10 years | Indefinite maturity |
|----------------------------------------|-----------|----------------|---------------------------|-------------------------|------------------------|--------------------------|---------------|---------------------|
| <b>A. On-balance sheet assets</b>      | -         | -              | -                         | -                       | 1,766                  | -                        | -             | -                   |
| 1.1 Debt securities                    | -         | -              | -                         | -                       | 1,766                  | -                        | -             | -                   |
| - with early redemption option         | -         | -              | -                         | -                       | 1,766                  | -                        | -             | -                   |
| - other                                | -         | -              | -                         | -                       | -                      | -                        | -             | -                   |
| 1.2 Other assets                       | -         | -              | -                         | -                       | -                      | -                        | -             | -                   |
| <b>2. On-balance sheet liabilities</b> | -         | -              | -                         | -                       | -                      | -                        | -             | -                   |
| 2.1 Repurchase agreements              | -         | -              | -                         | -                       | -                      | -                        | -             | -                   |
| 2.2 Other liabilities                  | -         | -              | -                         | -                       | -                      | -                        | -             | -                   |
| <b>3. Financial derivatives</b>        |           |                |                           |                         |                        |                          |               |                     |
| 3.1 With underlying securities         |           |                |                           |                         |                        |                          |               |                     |
| - Options                              |           |                |                           |                         |                        |                          |               |                     |
| + Long positions                       | -         | -              | -                         | -                       | -                      | -                        | -             | -                   |
| + Short positions                      | -         | -              | -                         | -                       | 43                     | -                        | -             | -                   |
| - Other                                |           |                |                           |                         |                        |                          |               |                     |
| + Long positions                       | -         | 20,350         | -                         | -                       | -                      | -                        | -             | -                   |
| + Short positions                      | -         | -              | -                         | -                       | 43                     | 20,350                   | -             | -                   |
| 3.2 Without underlying securities      |           |                |                           |                         |                        |                          |               |                     |
| - Options                              |           |                |                           |                         |                        |                          |               |                     |
| + Long positions                       | -         | -              | -                         | -                       | -                      | -                        | -             | -                   |
| + Short positions                      | -         | -              | -                         | -                       | -                      | -                        | -             | -                   |
| - Other                                |           |                |                           |                         |                        |                          |               |                     |
| + Long positions                       | -         | 75,904         | 6,378                     | 12,204                  | 17,469                 | 3,049                    | -             | -                   |
| + Short positions                      | -         | 76,140         | 6,405                     | 12,269                  | 18,172                 | 3,499                    | -             | -                   |

**1. Supervisory trading book: breakdown by residual maturity (repricing date) of on-balance sheet financial assets and liabilities and financial derivatives - Other currencies**

| Type/Residual maturity                 | On demand | Up to 3 months | Over 3 months to 6 months | Over 6 months to 1 year | Over 1 year to 5 years | Over 5 years to 10 years | Over 10 years | Indefinite maturity |
|----------------------------------------|-----------|----------------|---------------------------|-------------------------|------------------------|--------------------------|---------------|---------------------|
| <b>A. On-balance sheet assets</b>      | -         | -              | -                         | -                       | -                      | -                        | -             | -                   |
| 1.1 Debt securities                    | -         | -              | -                         | -                       | -                      | -                        | -             | -                   |
| - with early redemption option         | -         | -              | -                         | -                       | -                      | -                        | -             | -                   |
| - other                                | -         | -              | -                         | -                       | -                      | -                        | -             | -                   |
| 1.2 Other assets                       | -         | -              | -                         | -                       | -                      | -                        | -             | -                   |
| <b>2. On-balance sheet liabilities</b> | -         | -              | -                         | -                       | -                      | -                        | -             | -                   |
| 2.1 Repurchase agreements              | -         | -              | -                         | -                       | -                      | -                        | -             | -                   |
| 2.2 Other liabilities                  | -         | -              | -                         | -                       | -                      | -                        | -             | -                   |
| <b>3. Financial derivatives</b>        |           |                |                           |                         |                        |                          |               |                     |
| 3.1 With underlying securities         |           |                |                           |                         |                        |                          |               |                     |
| - Options                              |           |                |                           |                         |                        |                          |               |                     |
| + Long positions                       | -         | -              | -                         | -                       | -                      | -                        | -             | -                   |
| + Short positions                      | -         | -              | -                         | -                       | -                      | -                        | -             | -                   |
| - Other                                |           |                |                           |                         |                        |                          |               |                     |
| + Long positions                       | -         | -              | -                         | -                       | -                      | -                        | -             | -                   |
| + Short positions                      | -         | -              | -                         | -                       | -                      | -                        | -             | -                   |
| 3.2 Without underlying securities      |           |                |                           |                         |                        |                          |               |                     |
| - Options                              |           |                |                           |                         |                        |                          |               |                     |
| + Long positions                       | -         | -              | -                         | -                       | -                      | -                        | -             | -                   |
| + Short positions                      | -         | -              | -                         | -                       | -                      | -                        | -             | -                   |
| - Other                                |           |                |                           |                         |                        |                          |               |                     |
| + Long positions                       | -         | 51,928         | 4,203                     | 9,022                   | 1,246                  | -                        | -             | -                   |
| + Short positions                      | -         | 50,385         | 4,203                     | 9,022                   | 1,246                  | -                        | -             | -                   |

## 2. Supervisory trading book: breakdown of exposures in equity securities and stock indices for the main countries of the listing market

| Type of transaction/Listing index                                         | Listed |               |       | Unlisted |
|---------------------------------------------------------------------------|--------|---------------|-------|----------|
|                                                                           | Italy  | United States | Other |          |
| <b>A. Equity securities</b>                                               |        |               |       |          |
| long positions                                                            | 2,185  | 1             | 2,070 |          |
| short positions                                                           |        |               |       |          |
| <b>B. Purchase/sale transactions not yet settled in equity securities</b> |        |               |       |          |
| long positions                                                            |        |               |       |          |
| short positions                                                           |        |               |       |          |
| <b>C. Other derivatives on equity securities</b>                          |        |               |       |          |
| long positions                                                            | 43     |               |       |          |
| short positions                                                           |        |               | 6,634 |          |
| <b>D. Share index derivatives</b>                                         |        |               |       |          |
| long positions                                                            |        |               |       |          |
| short positions                                                           |        |               |       |          |

## 3. Supervisory trading book: internal models and other methodologies for sensitivity analysis

The monitoring carried out up to the third quarter on the supervisory trading book shows a structure with low market risks. The Monte Carlo simulation VaR at 31.12.2023 amounted to Euro 213 thousand.

## 2.2 Interest rate risk and price risk - Banking book

### Qualitative information

#### **B. General aspects, management processes and measurement methods for interest rate risk and price risk**

Interest rate risk is measured by the risk management function. The activity is carried out for the Bank, which covers almost the entire banking book. All of the commercial activity related to the transformation of maturities of assets and liabilities in the financial statements, the securities portfolio, treasury operations and the respective hedging derivatives are monitored using Asset and Liability Management (A.L.M.) methodologies through the ERMAS5 application.

The static analysis, currently in place, makes it possible to measure the impacts produced by changes in the interest rate structure expressed in terms of both the change in the economic value of assets and the net interest income. The results of the banking book for financial statements purposes are presented here, excluding from the analysis financial instruments in the supervisory trading book.

The variability of the interest margin, determined by positive and negative changes in rates over a 365-day time horizon, is estimated using dynamic margin simulation. 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 and 2023.

In this context of rising rates, Banco Desio has put in place a strategy to hedge its assets, through the subscription of hedging derivative financial instruments

In November, the bank discontinued some of the derivatives used in the Macro Fair Value Hedge relationships for a notional amount of Euro 100 million. The discontinued derivatives were therefore closed. It should also be noted that, in 2023, the Bank joined the Clearing service for OTC interest rate derivatives by identifying the central counterparty (Eurex Clearing) for clearing derivative transactions.

For further details, see "Section 5 - Hedging derivatives - Item 50 of the Notes to the Financial Statements".

## Quantitative information

### 1. Banking book: breakdown by residual maturity (repricing date) of financial assets and liabilities - Euro

| Type/Residual maturity                         | On demand        | Up to 3 months   | Over 3 months to 6 months | Over 6 months to 1 year | Over 1 year to 5 years | Over 5 years to 10 years | Over 10 years    | Indefinite maturity |
|------------------------------------------------|------------------|------------------|---------------------------|-------------------------|------------------------|--------------------------|------------------|---------------------|
| <b>1. On-balance sheet assets</b>              | <b>4,068,088</b> | <b>4,620,281</b> | <b>1,218,735</b>          | <b>866,744</b>          | <b>2,977,832</b>       | <b>2,069,183</b>         | <b>1,334,831</b> | -                   |
| 1.1 Debt securities                            | 380              | 441,768          | 899,900                   | 467,543                 | 983,375                | 950,174                  | 19,756           | -                   |
| - with early redemption option                 | 380              | 123,172          | 9,302                     | 25,485                  | 277,731                | 44,302                   | -                | -                   |
| - other                                        | -                | 318,596          | 890,598                   | 442,058                 | 705,644                | 905,872                  | 19,756           | -                   |
| 1.2 Loans with banks                           | 1,702,322        | 58,568           | -                         | -                       | -                      | 897                      | -                | -                   |
| 1.3 Loans to customers                         | 2,365,386        | 4,119,945        | 318,835                   | 399,201                 | 1,994,457              | 1,118,112                | 1,315,075        | -                   |
| - current account                              | 1,434,704        | 641,469          | 434                       | 278                     | 3,253                  | 552                      | 15               | -                   |
| - other loans                                  | 930,682          | 3,478,476        | 318,401                   | 398,923                 | 1,991,204              | 1,117,560                | 1,315,060        | -                   |
| - with early redemption option                 | 422,551          | 2,936,612        | 299,649                   | 394,781                 | 1,947,951              | 1,116,016                | 1,314,850        | -                   |
| - other                                        | 508,131          | 541,864          | 18,752                    | 4,142                   | 43,253                 | 1,544                    | 210              | -                   |
| <b>2. On-balance sheet liabilities</b>         | <b>9,076,729</b> | <b>3,249,949</b> | <b>518,571</b>            | <b>1,260,090</b>        | <b>2,230,968</b>       | <b>177,430</b>           | <b>169,342</b>   | -                   |
| 2.1 Payables to customers                      | 9,052,656        | 2,228,669        | 418,546                   | 163,305                 | 343,078                | 78,638                   | 169,342          | -                   |
| - current account                              | 8,942,315        | 1,616,773        | 403,156                   | 137,094                 | 80,890                 | -                        | -                | -                   |
| - other payables                               | 110,341          | 611,896          | 15,390                    | 26,211                  | 262,188                | 78,638                   | 169,342          | -                   |
| - with early redemption option                 | -                | -                | -                         | -                       | -                      | -                        | -                | -                   |
| - other                                        | 110,341          | 611,896          | 15,390                    | 26,211                  | 262,188                | 78,638                   | 169,342          | -                   |
| 2.2 Payables to banks                          | 23,720           | 1,021,280        | 100,025                   | 458,165                 | 345,208                | -                        | -                | -                   |
| - current account                              | 23,720           | -                | -                         | -                       | -                      | -                        | -                | -                   |
| - other payables                               | -                | 1,021,280        | 100,025                   | 458,165                 | 345,208                | -                        | -                | -                   |
| 2.3 Debt securities                            | 353              | -                | -                         | 638,620                 | 1,542,682              | 98,792                   | -                | -                   |
| - with early redemption option                 | -                | -                | -                         | 62,544                  | -                      | -                        | -                | -                   |
| - other                                        | 353              | -                | -                         | 576,076                 | 1,542,682              | 98,792                   | -                | -                   |
| 2.4 Other liabilities                          | -                | -                | -                         | -                       | -                      | -                        | -                | -                   |
| - with early redemption option                 | -                | -                | -                         | -                       | -                      | -                        | -                | -                   |
| - other                                        | -                | -                | -                         | -                       | -                      | -                        | -                | -                   |
| <b>3. Financial derivatives</b>                | -                | <b>890,000</b>   | <b>165,000</b>            | -                       | <b>(340,000)</b>       | <b>(515,000)</b>         | <b>(200,000)</b> | -                   |
| 3.1 With underlying securities                 | -                | -                | -                         | -                       | -                      | -                        | -                | -                   |
| - Options                                      | -                | -                | -                         | -                       | -                      | -                        | -                | -                   |
| + Long positions                               | -                | -                | -                         | -                       | -                      | -                        | -                | -                   |
| + Short positions                              | -                | -                | -                         | -                       | -                      | -                        | -                | -                   |
| - Other derivatives                            | -                | -                | -                         | -                       | -                      | -                        | -                | -                   |
| + Long positions                               | -                | -                | -                         | -                       | -                      | -                        | -                | -                   |
| + Short positions                              | -                | -                | -                         | -                       | -                      | -                        | -                | -                   |
| 3.2 Without underlying securities              | -                | -                | -                         | -                       | -                      | -                        | -                | -                   |
| - Options                                      | -                | -                | -                         | -                       | -                      | -                        | -                | -                   |
| + Long positions                               | -                | 812              | 1,365                     | 2,235                   | 22,083                 | 25,219                   | 33,965           | 812                 |
| + Short positions                              | -                | 85,008           | 671                       | -                       | -                      | -                        | -                | 85,008              |
| - Other derivatives                            | -                | -                | -                         | -                       | -                      | -                        | -                | -                   |
| + Long positions                               | -                | 890,000          | 165,000                   | -                       | -                      | -                        | -                | -                   |
| + Short positions                              | -                | -                | -                         | -                       | 340,000                | 515,000                  | 200,000          | -                   |
| <b>4. Other off-balance sheet transactions</b> | <b>371,278</b>   | -                | -                         | -                       | -                      | -                        | -                | -                   |
| + Long positions                               | 185,639          | -                | -                         | -                       | -                      | -                        | -                | -                   |
| + Short positions                              | 185,639          | -                | -                         | -                       | -                      | -                        | -                | -                   |

## 1. Banking book: breakdown by residual maturity (repricing date) of financial assets and liabilities - Other currencies

| Type/Residual maturity                         | On demand     | Up to 3 months | Over 3 months to 6 months | Over 6 months to 1 year | Over 1 year to 5 years | Over 5 years to 10 years | Over 10 years | Indefinite maturity |
|------------------------------------------------|---------------|----------------|---------------------------|-------------------------|------------------------|--------------------------|---------------|---------------------|
| <b>1. On-balance sheet assets</b>              | <b>15,682</b> | <b>35,071</b>  | <b>2,890</b>              | <b>5,610</b>            | <b>255</b>             | <b>318</b>               | <b>15,682</b> | <b>35,071</b>       |
| 1.1 Debt securities                            | -             | 573            | -                         | -                       | -                      | -                        | -             | 573                 |
| - with early redemption option                 | -             | -              | -                         | -                       | -                      | -                        | -             | -                   |
| - other                                        | -             | 573            | -                         | -                       | -                      | -                        | -             | 573                 |
| 1.2 Loans with banks                           | 15,650        | 18,136         | 2,807                     | 5,578                   | -                      | -                        | 15,650        | 18,136              |
| 1.3 Loans to customers                         | 32            | 16,362         | 83                        | 32                      | 255                    | 318                      | 32            | 16,362              |
| - current account                              | -             | -              | -                         | -                       | -                      | -                        | -             | -                   |
| - other loans                                  | 32            | 16,362         | 83                        | 32                      | 255                    | 318                      | 32            | 16,362              |
| - with early redemption option                 | 32            | -              | 32                        | 32                      | 255                    | 318                      | 32            | -                   |
| - other                                        | -             | 16,362         | 52                        | -                       | -                      | -                        | -             | 16,362              |
| <b>2. On-balance sheet liabilities</b>         | <b>51,410</b> | <b>92</b>      | <b>3,266</b>              | <b>5,535</b>            | <b>-</b>               | <b>-</b>                 | <b>51,410</b> | <b>92</b>           |
| 2.1 Payables to customers                      | 49,743        | 92             | 3,266                     | 5,535                   | -                      | -                        | 49,743        | 92                  |
| - current account                              | 49,743        | 92             | 3,266                     | 5,535                   | -                      | -                        | 49,743        | 92                  |
| - other payables                               | -             | -              | -                         | -                       | -                      | -                        | -             | -                   |
| - with early redemption option                 | -             | -              | -                         | -                       | -                      | -                        | -             | -                   |
| - other                                        | -             | -              | -                         | -                       | -                      | -                        | -             | -                   |
| 2.2 Payables to banks                          | 1,667         | -              | -                         | -                       | -                      | -                        | 1,667         | -                   |
| - current account                              | 1,667         | -              | -                         | -                       | -                      | -                        | 1,667         | -                   |
| - other payables                               | -             | -              | -                         | -                       | -                      | -                        | -             | -                   |
| 2.3 Debt securities                            | -             | -              | -                         | -                       | -                      | -                        | -             | -                   |
| - with early redemption option                 | -             | -              | -                         | -                       | -                      | -                        | -             | -                   |
| - other                                        | -             | -              | -                         | -                       | -                      | -                        | -             | -                   |
| 2.4 Other liabilities                          | -             | -              | -                         | -                       | -                      | -                        | -             | -                   |
| - with early redemption option                 | -             | -              | -                         | -                       | -                      | -                        | -             | -                   |
| - other                                        | -             | -              | -                         | -                       | -                      | -                        | -             | -                   |
| <b>3. Financial derivatives</b>                | <b>*</b>      | <b>*</b>       | <b>*</b>                  | <b>*</b>                | <b>*</b>               | <b>*</b>                 | <b>*</b>      | <b>*</b>            |
| 3.1 With underlying securities                 | -             | -              | -                         | -                       | -                      | -                        | -             | -                   |
| - Options                                      | -             | -              | -                         | -                       | -                      | -                        | -             | -                   |
| + Long positions                               | -             | -              | -                         | -                       | -                      | -                        | -             | -                   |
| + Short positions                              | -             | -              | -                         | -                       | -                      | -                        | -             | -                   |
| - Other derivatives                            | -             | -              | -                         | -                       | -                      | -                        | -             | -                   |
| + Long positions                               | -             | -              | -                         | -                       | -                      | -                        | -             | -                   |
| + Short positions                              | -             | -              | -                         | -                       | -                      | -                        | -             | -                   |
| 3.2 Without underlying securities              | -             | -              | -                         | -                       | -                      | -                        | -             | -                   |
| - Options                                      | -             | -              | -                         | -                       | -                      | -                        | -             | -                   |
| + Long positions                               | -             | -              | -                         | -                       | -                      | -                        | -             | -                   |
| + Short positions                              | -             | -              | -                         | -                       | -                      | -                        | -             | -                   |
| - Other derivatives                            | -             | -              | -                         | -                       | -                      | -                        | -             | -                   |
| + Long positions                               | -             | -              | -                         | -                       | -                      | -                        | -             | -                   |
| + Short positions                              | -             | -              | -                         | -                       | -                      | -                        | -             | -                   |
| <b>4. Other off-balance sheet transactions</b> | <b>*</b>      | <b>*</b>       | <b>*</b>                  | <b>*</b>                | <b>*</b>               | <b>*</b>                 | <b>*</b>      | <b>*</b>            |
| + Long positions                               | -             | -              | -                         | -                       | -                      | -                        | -             | -                   |
| + Short positions                              | -             | -              | -                         | -                       | -                      | -                        | -             | -                   |

## **2. Banking book - internal models and other methodologies for sensitivity analysis**

The Bank's management and strategic approach is aimed at considering the volatility of net interest income and the overall economic value of own funds.

The risk exposure is not critical, remaining within the limit defined in the prudential supervisory regulations. The breakdown of items in the financial statements in terms of maturity date and repricing, however, shows some peculiarities arising from the current market context, which continues to record an increase in demand and short-term inflows; all this has led to a physiological decrease in the average duration of liabilities, while assets have not undergone any substantial changes in terms of average duration.

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

With the aim of refining these analyses by taking into account the actual repricing speed of items with no contractual maturity, the adoption of a behavioural estimation model for demand items was approved to replace the model in Annex C of Circular No. 285. The model was validated by the Group's internal validation function.

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, applying a methodology in line with the approach described in Annex C of Circular 285.

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.

The Bank has implemented Fair Value hedging transactions with macro-hedge and micro-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, 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.



## 2.3 EXCHANGE RATE RISK

### Qualitative information

#### **A. General aspects, management processes and measurement methods for exchange rate risk**

The Bank is exposed to exchange rate risk as a result of its trading activities on foreign exchange markets and its investment and fund-raising activities with instruments denominated in a currency other than the domestic currency.

Exposure to exchange rate risk is marginal; exchange rate trading is managed by the Finance Area.

Exchange rate risk is managed through operational limits both by currency area and by concentration on each individual currency. In addition, daily and annual operational stop/loss limits are set.

#### **B. Exchange rate risk hedging activities**

The Bank's primary objective is to prudently manage exchange rate risk, always taking into account the possibility of seizing market opportunities, and therefore transactions involving exchange rate risk are managed through appropriate hedging strategies.

## Quantitative information

### 1. Breakdown by currency of denomination of assets and liabilities and derivatives

| Items                           | Currencies    |                |              |              |                 |                  |
|---------------------------------|---------------|----------------|--------------|--------------|-----------------|------------------|
|                                 | US Dollar     | Pound sterling | Swiss Franc  | Yuan         | Canadian Dollar | Other currencies |
| <b>A. Financial assets</b>      | <b>48,968</b> | <b>2,001</b>   | <b>2,466</b> | <b>417</b>   | <b>57</b>       | <b>6,058</b>     |
| A.1 Debt securities             | -             | 573            | -            | -            | -               | -                |
| A.2 Equity securities           | 140           | -              | -            | -            | -               | -                |
| A.3 Loans with banks            | 36,157        | 317            | 1,210        | 417          | 57              | 4,014            |
| A.4 Loans to customers          | 12,671        | 1,111          | 1,256        | -            | -               | 2,044            |
| A.5 Other financial assets      | -             | -              | -            | -            | -               | -                |
| <b>B. Other assets</b>          | <b>743</b>    | <b>372</b>     | <b>585</b>   | <b>113</b>   | <b>152</b>      | <b>263</b>       |
| <b>C. Financial liabilities</b> | <b>49,914</b> | <b>2,750</b>   | <b>2,495</b> | <b>410</b>   | <b>464</b>      | <b>4,269</b>     |
| C.1 Payables to banks           | -             | -              | -            | -            | -               | 1,667            |
| C.2 Payables to customers       | 49,914        | 2,750          | 2,495        | 410          | 464             | 2,602            |
| C.3 Debt securities             | -             | -              | -            | -            | -               | -                |
| C.4 Other financial liabilities | -             | -              | -            | -            | -               | -                |
| <b>D. Other liabilities</b>     | <b>595</b>    | <b>-</b>       | <b>-</b>     | <b>-</b>     | <b>-</b>        | <b>-</b>         |
| <b>E. Financial derivatives</b> | <b>96,588</b> | <b>15,061</b>  | <b>5,564</b> | <b>4,223</b> | <b>3,840</b>    | <b>5,980</b>     |
| - Options                       | -             | -              | -            | -            | -               | -                |
| + Long positions                | -             | -              | -            | -            | -               | -                |
| + Short positions               | -             | -              | -            | -            | -               | -                |
| - Other derivatives             | -             | -              | -            | -            | -               | -                |
| + Long positions                | 49,002        | 8,198          | 2,830        | 2,091        | 2,117           | 2,161            |
| + Short positions               | 47,586        | 6,863          | 2,734        | 2,132        | 1,723           | 3,819            |
| <b>Total assets</b>             | <b>98,713</b> | <b>10,571</b>  | <b>5,881</b> | <b>2,621</b> | <b>2,326</b>    | <b>8,482</b>     |
| <b>Total liabilities</b>        | <b>98,095</b> | <b>9,613</b>   | <b>5,229</b> | <b>2,542</b> | <b>2,187</b>    | <b>8,088</b>     |
| <b>Imbalance (+/-)</b>          | <b>(618)</b>  | <b>(958)</b>   | <b>(652)</b> | <b>(79)</b>  | <b>(139)</b>    | <b>(394)</b>     |

### 2. Internal models and other methodologies for sensitivity analysis

The exchange rate risk profile assumed by the Bank is insignificant, considering the currency exposure of the items present and the related hedges implemented through derivative financial instruments.

## SECTION 3. DERIVATIVE INSTRUMENTS AND RELATED HEDGING POLICIES

### 3.1 Trading derivative instruments

#### A. Financial derivatives

##### A.1 Trading financial derivatives: period-end notional values

| Underlying assets/Types of derivatives | Total 31.12.2023               |                         |                            |                   | Total 31.12.2022               |                         |                            |                   |
|----------------------------------------|--------------------------------|-------------------------|----------------------------|-------------------|--------------------------------|-------------------------|----------------------------|-------------------|
|                                        | Over the counter               |                         |                            |                   | Over the counter               |                         |                            |                   |
|                                        | Without central counterparties |                         |                            | Organised markets | Without central counterparties |                         |                            | Organised markets |
|                                        | Central counterparties         | With netting agreements | Without netting agreements |                   | Central counterparties         | With netting agreements | Without netting agreements |                   |
| 1. Debt securities and interest rates  | 25,325                         | -                       | 26,627                     | -                 | -                              | 26,762                  | 37,115                     | -                 |
| a) Options                             | -                              | -                       | -                          | -                 | -                              | -                       | -                          | -                 |
| b) Swaps                               | 25,325                         | -                       | 26,627                     | -                 | -                              | 26,762                  | 37,115                     | -                 |
| c) Forwards                            | -                              | -                       | -                          | -                 | -                              | -                       | -                          | -                 |
| d) Futures                             | -                              | -                       | -                          | -                 | -                              | -                       | -                          | -                 |
| e) Other                               | -                              | -                       | -                          | -                 | -                              | -                       | -                          | -                 |
| 2. Equity securities and stock indices | -                              | -                       | 43                         | -                 | -                              | -                       | 24                         | -                 |
| a) Options                             | -                              | -                       | 43                         | -                 | -                              | -                       | 24                         | -                 |
| b) Swaps                               | -                              | -                       | -                          | -                 | -                              | -                       | -                          | -                 |
| c) Forwards                            | -                              | -                       | -                          | -                 | -                              | -                       | -                          | -                 |
| d) Futures                             | -                              | -                       | -                          | -                 | -                              | -                       | -                          | -                 |
| e) Other                               | -                              | -                       | -                          | -                 | -                              | -                       | -                          | -                 |
| 3. Currencies and gold                 | -                              | -                       | 114,621                    | -                 | -                              | 9,754                   | 130,303                    | -                 |
| a) Options                             | -                              | -                       | -                          | -                 | -                              | -                       | -                          | -                 |
| b) Swaps                               | -                              | -                       | -                          | -                 | -                              | -                       | -                          | -                 |
| c) Forwards                            | -                              | -                       | 114,621                    | -                 | -                              | 9,754                   | 130,303                    | -                 |
| d) Futures                             | -                              | -                       | -                          | -                 | -                              | -                       | -                          | -                 |
| e) Other                               | -                              | -                       | -                          | -                 | -                              | -                       | -                          | -                 |
| 4. Goods                               | -                              | -                       | -                          | -                 | -                              | -                       | -                          | -                 |
| 5. Other                               | -                              | -                       | -                          | -                 | -                              | -                       | -                          | -                 |
| <b>Total</b>                           | <b>25,325</b>                  | <b>-</b>                | <b>141,291</b>             | <b>-</b>          | <b>-</b>                       | <b>36,516</b>           | <b>167,442</b>             | <b>-</b>          |

## A.2 Trading financial derivatives: positive and negative gross fair value - breakdown by product

| Types of derivatives          | 31.12.2023                     |                         |                            |                   | 31.12.2022                     |                         |                            |                   |
|-------------------------------|--------------------------------|-------------------------|----------------------------|-------------------|--------------------------------|-------------------------|----------------------------|-------------------|
|                               | Over the counter               |                         |                            |                   | Over the counter               |                         |                            |                   |
|                               | Without central counterparties |                         |                            | Organised markets | Without central counterparties |                         |                            | Organised markets |
|                               | Central counterparties         | With netting agreements | Without netting agreements |                   | Central counterparties         | With netting agreements | Without netting agreements |                   |
| <b>1. Positive fair value</b> |                                |                         |                            |                   |                                |                         |                            |                   |
| a) Options                    | -                              | -                       | 43                         | -                 | -                              | -                       | 24                         | -                 |
| b) Interest rate swaps        | 682                            | -                       | 218                        | -                 | -                              | 1,652                   | 1                          | -                 |
| c) Cross currency swaps       | -                              | -                       | -                          | -                 | -                              | -                       | -                          | -                 |
| d) Equity swaps               | -                              | -                       | -                          | -                 | -                              | -                       | -                          | -                 |
| e) Forwards                   | -                              | -                       | 752                        | -                 | -                              | 133                     | 830                        | -                 |
| f) Futures                    | -                              | -                       | -                          | -                 | -                              | -                       | -                          | -                 |
| g) Other                      | -                              | -                       | -                          | -                 | -                              | -                       | -                          | -                 |
| <b>Total</b>                  | <b>682</b>                     | <b>-</b>                | <b>1,013</b>               | <b>-</b>          | <b>-</b>                       | <b>1,785</b>            | <b>855</b>                 | <b>-</b>          |
| <b>2. Negative fair value</b> |                                |                         |                            |                   |                                |                         |                            |                   |
| a) Options                    | -                              | -                       | -                          | -                 | -                              | -                       | -                          | -                 |
| b) Interest rate swaps        | 218                            | -                       | 843                        | -                 | -                              | 153                     | 3,079                      | -                 |
| c) Cross currency swaps       | -                              | -                       | -                          | -                 | -                              | -                       | -                          | -                 |
| d) Equity swaps               | -                              | -                       | -                          | -                 | -                              | -                       | -                          | -                 |
| e) Forwards                   | -                              | -                       | 689                        | -                 | -                              | 227                     | 671                        | -                 |
| f) Futures                    | -                              | -                       | -                          | -                 | -                              | -                       | -                          | -                 |
| g) Other                      | -                              | -                       | -                          | -                 | -                              | -                       | -                          | -                 |
| <b>Total</b>                  | <b>218</b>                     | <b>-</b>                | <b>1,532</b>               | <b>-</b>          | <b>-</b>                       | <b>380</b>              | <b>3,750</b>               | <b>-</b>          |

### A.3 OTC trading financial derivatives - notional values, positive and negative gross fair value by counterparty

| Underlying assets                                  | Central counterparties | Banks  | Other financial companies | Other entities |
|----------------------------------------------------|------------------------|--------|---------------------------|----------------|
| <b>Contracts not covered by netting agreements</b> |                        |        |                           |                |
| <b>1) Debt securities and interest rates</b>       |                        |        |                           |                |
| - notional value                                   | X                      | 1,302  | -                         | 25,325         |
| - positive fair value                              | X                      | -      | -                         | 218            |
| - negative fair value                              | X                      | 155    | -                         | 688            |
| <b>2) Equity securities and stock indices</b>      |                        |        |                           |                |
| - notional value                                   | X                      | -      | 14                        | 29             |
| - positive fair value                              | X                      | -      | 14                        | 29             |
| - negative fair value                              | X                      | -      | -                         | -              |
| <b>3) Currencies and gold</b>                      |                        |        |                           |                |
| - notional value                                   | X                      | 58,368 | 29,372                    | 26,881         |
| - positive fair value                              | X                      | 460    | 140                       | 152            |
| - negative fair value                              | X                      | 267    | 23                        | 399            |
| <b>4) Goods</b>                                    |                        |        |                           |                |
| - notional value                                   | X                      | -      | -                         | -              |
| - positive fair value                              | X                      | -      | -                         | -              |
| - negative fair value                              | X                      | -      | -                         | -              |
| <b>5) Other</b>                                    |                        |        |                           |                |
| - notional value                                   | X                      | -      | -                         | -              |
| - positive fair value                              | X                      | -      | -                         | -              |
| - negative fair value                              | X                      | -      | -                         | -              |
| <b>Contracts covered by netting agreements</b>     |                        |        |                           |                |
| <b>1) Debt securities and interest rates</b>       |                        |        |                           |                |
| - notional value                                   | 25,325                 | -      | -                         | -              |
| - positive fair value                              | 682                    | -      | -                         | -              |
| - negative fair value                              | 218                    | -      | -                         | -              |
| <b>2) Equity securities and stock indices</b>      | -                      |        |                           |                |
| - notional value                                   | -                      | -      | -                         | -              |
| - positive fair value                              | -                      | -      | -                         | -              |
| - negative fair value                              | -                      | -      | -                         | -              |
| <b>3) Currencies and gold</b>                      | -                      |        |                           |                |
| - notional value                                   | -                      | -      | -                         | -              |
| - positive fair value                              | -                      | -      | -                         | -              |
| - negative fair value                              | -                      | -      | -                         | -              |
| <b>4) Goods</b>                                    | -                      |        |                           |                |
| - notional value                                   | -                      | -      | -                         | -              |
| - positive fair value                              | -                      | -      | -                         | -              |
| - negative fair value                              | -                      | -      | -                         | -              |
| <b>5) Other</b>                                    | -                      |        |                           |                |
| - notional value                                   | -                      | -      | -                         | -              |
| - positive fair value                              | -                      | -      | -                         | -              |
| - negative fair value                              | -                      | -      | -                         | -              |

#### A.4 Residual life of OTC financial derivatives: notional values

| Underlying/Residual life                                         | Up to 1 year      | Over 1 year to 5 years | Over 5 years  | Total         |                |
|------------------------------------------------------------------|-------------------|------------------------|---------------|---------------|----------------|
| A.1 Financial derivatives on debt securities and interest rates  | 12,311            | 33,093                 | 6,548         | 51,952        |                |
| A.2 Financial derivatives on equity securities and stock indices | -                 | 43                     | -             | 43            |                |
| A.3 Financial derivatives on currencies and gold                 | 112,128           | 2,493                  | -             | 114,621       |                |
| A.4 Financial derivatives on goods                               | -                 | -                      | -             | -             |                |
| A.5 Other financial derivatives                                  | -                 | -                      | -             | -             |                |
| <b>Total</b>                                                     | <b>31.12.2023</b> | <b>124,439</b>         | <b>35,629</b> | <b>6,548</b>  | <b>166,616</b> |
| <b>Total</b>                                                     | <b>31.12.2022</b> | <b>149,382</b>         | <b>36,919</b> | <b>17,657</b> | <b>203,958</b> |

## 3.2 Accounting hedges

### Qualitative information

#### **A. Fair value hedging**

The Bank has put in place fair value hedging transactions with a macro-hedge and micro-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, when required, cash flow hedging; the objective is to stabilise the cash flows of the hedged instrument with the flows of the hedging instrument.

#### **D. Hedging instruments**

Derivatives are used as hedging instruments, represented by interest rate swaps used to hedge interest rate risk only.

#### **E. Hedged items**

To date, the hedged instruments relate to the following categories:

- liabilities (bonds issued) through specific micro-hedges
- fixed-rate loans (bonds) through specific micro-hedges
- fixed-rate loans (financing) through macro-hedges

Derivatives are used as hedging instruments, represented by interest rate swaps used to hedge interest rate risk only.

The Bank has set up a model capable of managing hedge accounting in line with the reference regulations dictated by international accounting standards. The methodology used to perform the effectiveness tests is the Dollar Offset Method (hedge ratio) on a cumulative basis.

## Quantitative information

### A. Hedging financial derivatives

#### A.1 Hedging financial derivatives: period-end notional values

| Underlying assets/<br>Types of derivatives | Total 31.12.2023               |                            |                               |                      | Total 31.12.2022               |                            |                               |                      |
|--------------------------------------------|--------------------------------|----------------------------|-------------------------------|----------------------|--------------------------------|----------------------------|-------------------------------|----------------------|
|                                            | Over the counter               |                            |                               | Organised<br>markets | Over the counter               |                            |                               | Organised<br>markets |
|                                            | Without central counterparties |                            |                               |                      | Without central counterparties |                            |                               |                      |
|                                            | Central<br>counterparties      | With netting<br>agreements | Without netting<br>agreements |                      | Central<br>counterparties      | With netting<br>agreements | Without netting<br>agreements |                      |
| 1. Debt securities and interest rates      | 1,055,000                      | -                          | -                             | -                    | -                              | -                          | 855,000                       | -                    |
| a) Options                                 | -                              | -                          | -                             | -                    | -                              | -                          | -                             | -                    |
| b) Swaps                                   | 1,055,000                      | -                          | -                             | -                    | -                              | -                          | 855,000                       | -                    |
| c) Forwards                                | -                              | -                          | -                             | -                    | -                              | -                          | -                             | -                    |
| d) Futures                                 | -                              | -                          | -                             | -                    | -                              | -                          | -                             | -                    |
| e) Other                                   | -                              | -                          | -                             | -                    | -                              | -                          | -                             | -                    |
| 2. Equity securities and stock indices     | -                              | -                          | -                             | -                    | -                              | -                          | -                             | -                    |
| a) Options                                 | -                              | -                          | -                             | -                    | -                              | -                          | -                             | -                    |
| b) Swaps                                   | -                              | -                          | -                             | -                    | -                              | -                          | -                             | -                    |
| c) Forwards                                | -                              | -                          | -                             | -                    | -                              | -                          | -                             | -                    |
| d) Futures                                 | -                              | -                          | -                             | -                    | -                              | -                          | -                             | -                    |
| e) Other                                   | -                              | -                          | -                             | -                    | -                              | -                          | -                             | -                    |
| 3. Currencies and gold                     | -                              | -                          | -                             | -                    | -                              | -                          | -                             | -                    |
| a) Options                                 | -                              | -                          | -                             | -                    | -                              | -                          | -                             | -                    |
| b) Swaps                                   | -                              | -                          | -                             | -                    | -                              | -                          | -                             | -                    |
| c) Forwards                                | -                              | -                          | -                             | -                    | -                              | -                          | -                             | -                    |
| d) Futures                                 | -                              | -                          | -                             | -                    | -                              | -                          | -                             | -                    |
| e) Other                                   | -                              | -                          | -                             | -                    | -                              | -                          | -                             | -                    |
| 4. Goods                                   | -                              | -                          | -                             | -                    | -                              | -                          | -                             | -                    |
| 5. Other                                   | -                              | -                          | -                             | -                    | -                              | -                          | -                             | -                    |
| <b>Total</b>                               | <b>1,055,000</b>               | <b>-</b>                   | <b>-</b>                      | <b>-</b>             | <b>-</b>                       | <b>-</b>                   | <b>855,000</b>                | <b>-</b>             |



## A.2 Hedging financial derivatives: positive and negative gross fair value - breakdown by product

|                         | Positive and negative fair value |                                |                            |                   |                        |                                |                            |                   | Change in value used to calculate hedge effectiveness |            |
|-------------------------|----------------------------------|--------------------------------|----------------------------|-------------------|------------------------|--------------------------------|----------------------------|-------------------|-------------------------------------------------------|------------|
| Types of derivatives    | 31.12.2023                       |                                |                            |                   | 31.12.2022             |                                |                            |                   | 31.12.2023                                            | 31.12.2022 |
|                         | Over the counter                 |                                |                            | Organised markets | Over the counter       |                                |                            | Organised markets |                                                       |            |
|                         | Central counterparties           | Without central counterparties |                            |                   | Central counterparties | Without central counterparties |                            |                   |                                                       |            |
|                         |                                  | With netting agreements        | Without netting agreements |                   |                        | With netting agreements        | Without netting agreements |                   |                                                       |            |
| Positive fair value     |                                  |                                |                            |                   |                        |                                |                            |                   |                                                       |            |
| a) Options              | -                                | -                              | -                          | -                 | -                      | -                              | -                          | -                 | -                                                     | -          |
| b) Interest rate swaps  | 21,431                           | -                              | -                          | -                 | -                      | 59,099                         | -                          | -                 | 21,431                                                | 59,099     |
| c) Cross currency swaps | -                                | -                              | -                          | -                 | -                      | -                              | -                          | -                 | -                                                     | -          |
| d) Equity swaps         | -                                | -                              | -                          | -                 | -                      | -                              | -                          | -                 | -                                                     | -          |
| e) Forwards             | -                                | -                              | -                          | -                 | -                      | -                              | -                          | -                 | -                                                     | -          |
| f) Futures              | -                                | -                              | -                          | -                 | -                      | -                              | -                          | -                 | -                                                     | -          |
| g) Other                | -                                | -                              | -                          | -                 | -                      | -                              | -                          | -                 | -                                                     | -          |
| Total                   | 21,431                           | -                              | -                          | -                 | -                      | 59,099                         | -                          | -                 | 21,431                                                | 59,099     |
| Negative fair value     |                                  |                                |                            |                   |                        |                                |                            |                   |                                                       |            |
| a) Options              | -                                | -                              | -                          | -                 | -                      | -                              | -                          | -                 | -                                                     | -          |
| b) Interest rate swaps  | 14,556                           | -                              | -                          | -                 | -                      | -                              | -                          | -                 | 14,556                                                | -          |
| c) Cross currency swaps | -                                | -                              | -                          | -                 | -                      | -                              | -                          | -                 | -                                                     | -          |
| d) Equity swaps         | -                                | -                              | -                          | -                 | -                      | -                              | -                          | -                 | -                                                     | -          |
| e) Forwards             | -                                | -                              | -                          | -                 | -                      | -                              | -                          | -                 | -                                                     | -          |
| f) Futures              | -                                | -                              | -                          | -                 | -                      | -                              | -                          | -                 | -                                                     | -          |
| g) Other                | -                                | -                              | -                          | -                 | -                      | -                              | -                          | -                 | -                                                     | -          |
| Total                   | 14,556                           | -                              | -                          | -                 | -                      | -                              | -                          | -                 | 14,556                                                | -          |

**A.3 OTC hedging financial derivatives - notional values, positive and negative gross fair values by counterparty**

| <b>Underlying assets</b>                           | <b>Central counterparties</b> | <b>Banks</b> | <b>Other financial companies</b> | <b>Other entities</b> |
|----------------------------------------------------|-------------------------------|--------------|----------------------------------|-----------------------|
| <b>Contracts not covered by netting agreements</b> |                               |              |                                  |                       |
| <b>1) Debt securities and interest rates</b>       |                               |              |                                  |                       |
| - notional value                                   | X                             | -            | -                                | -                     |
| - positive fair value                              | X                             | -            | -                                | -                     |
| - negative fair value                              | X                             | -            | -                                | -                     |
| <b>2) Equity securities and stock indices</b>      |                               |              |                                  |                       |
| - notional value                                   | X                             | -            | -                                | -                     |
| - positive fair value                              | X                             | -            | -                                | -                     |
| - negative fair value                              | X                             | -            | -                                | -                     |
| <b>3) Currencies and gold</b>                      |                               |              |                                  |                       |
| - notional value                                   | X                             | -            | -                                | -                     |
| - positive fair value                              | X                             | -            | -                                | -                     |
| - negative fair value                              | X                             | -            | -                                | -                     |
| <b>4) Goods</b>                                    |                               |              |                                  |                       |
| - notional value                                   | X                             | -            | -                                | -                     |
| - positive fair value                              | X                             | -            | -                                | -                     |
| - negative fair value                              | X                             | -            | -                                | -                     |
| <b>5) Other</b>                                    |                               |              |                                  |                       |
| - notional value                                   | X                             | -            | -                                | -                     |
| - positive fair value                              | X                             | -            | -                                | -                     |
| - negative fair value                              | X                             | -            | -                                | -                     |
| <b>Contracts covered by netting agreements</b>     |                               |              |                                  |                       |
| <b>1) Debt securities and interest rates</b>       |                               |              |                                  |                       |
| - notional value                                   | 1,055,000                     | -            | -                                | -                     |
| - positive fair value                              | 21,431                        | -            | -                                | -                     |
| - negative fair value                              | 14,556                        | -            | -                                | -                     |
| <b>2) Equity securities and stock indices</b>      |                               |              |                                  |                       |
| - notional value                                   | -                             | -            | -                                | -                     |
| - positive fair value                              | -                             | -            | -                                | -                     |
| - negative fair value                              | -                             | -            | -                                | -                     |
| <b>3) Currencies and gold</b>                      |                               |              |                                  |                       |
| - notional value                                   | -                             | -            | -                                | -                     |
| - positive fair value                              | -                             | -            | -                                | -                     |
| - negative fair value                              | -                             | -            | -                                | -                     |
| <b>4) Goods</b>                                    |                               |              |                                  |                       |
| - notional value                                   | -                             | -            | -                                | -                     |
| - positive fair value                              | -                             | -            | -                                | -                     |
| - negative fair value                              | -                             | -            | -                                | -                     |
| <b>5) Other</b>                                    |                               |              |                                  |                       |
| - notional value                                   | -                             | -            | -                                | -                     |
| - positive fair value                              | -                             | -            | -                                | -                     |
| - negative fair value                              | -                             | -            | -                                | -                     |

#### A.4 Residual life of OTC hedging financial derivatives: notional values

| Underlying/Residual life                                         |                   | Up to 1<br>year | Over 1 year to 5<br>years | Over 5<br>years | Total            |
|------------------------------------------------------------------|-------------------|-----------------|---------------------------|-----------------|------------------|
| A.1 Financial derivatives on debt securities and interest rates  |                   | -               | 340,000                   | 715,000         | 1,055,000        |
| A.2 Financial derivatives on equity securities and stock indices |                   | -               | -                         | -               | -                |
| A.3 Financial derivatives on currencies and gold                 |                   | -               | -                         | -               | -                |
| A.4 Financial derivatives on goods                               |                   | -               | -                         | -               | -                |
| A.5 Other financial derivatives                                  |                   | -               | -                         | -               | -                |
| <b>Total</b>                                                     | <b>31.12.2023</b> | -               | <b>340,000</b>            | <b>715,000</b>  | <b>1,055,000</b> |
| <b>Total</b>                                                     | <b>31.12.2022</b> | -               | -                         | <b>855,000</b>  | <b>855,000</b>   |

### 3.3 Other information on trading and hedging derivative instruments

#### A. Financial and credit derivatives

##### A.1 OTC financial and credit derivatives: net fair value by counterparty

|                                               | Central counterparties | Banks  | Other financial companies | Other entities |
|-----------------------------------------------|------------------------|--------|---------------------------|----------------|
| <b>A. Financial derivatives</b>               |                        |        |                           |                |
| <b>1) Debt securities and interest rates</b>  |                        |        |                           |                |
| - notional value                              |                        |        |                           |                |
| - positive net fair value                     | 1,080,325              | 1,302  | -                         | 25,325         |
| - negative net fair value                     | 682                    | -      | -                         | 218            |
| <b>2) Equity securities and stock indices</b> | 1,055,218              | 155    | -                         | 688            |
| - notional value                              | -                      | -      | -                         | -              |
| - positive net fair value                     | -                      | -      | 14                        | 29             |
| - negative net fair value                     | -                      | -      | 14                        | 29             |
| <b>3) Currencies and gold</b>                 | -                      | -      | -                         | -              |
| - notional value                              | -                      | -      | -                         | -              |
| - positive net fair value                     | -                      | 58,368 | 29,372                    | 26,881         |
| - negative net fair value                     | -                      | 460    | 140                       | 152            |
| <b>4) Goods</b>                               |                        |        |                           |                |
| - notional value                              | -                      | -      | -                         | -              |
| - positive net fair value                     | -                      | -      | -                         | -              |
| - negative net fair value                     | -                      | -      | -                         | -              |
| <b>5) Other</b>                               |                        |        |                           |                |
| - notional value                              | -                      | -      | -                         | -              |
| - positive net fair value                     | -                      | -      | -                         | -              |
| - negative net fair value                     | -                      | -      | -                         | -              |
| <b>B. Credit derivatives</b>                  |                        |        |                           |                |
| <b>1) Purchase of protection</b>              |                        |        |                           |                |
| - notional value                              | -                      | -      | -                         | -              |
| - positive net fair value                     | -                      | -      | -                         | -              |
| - negative net fair value                     | -                      | -      | -                         | -              |
| <b>2) Sale of protection</b>                  |                        |        |                           |                |
| - notional value                              | -                      | -      | -                         | -              |
| - positive net fair value                     | -                      | -      | -                         | -              |
| - negative net fair value                     | -                      | -      | -                         | -              |

## SECTION 4 - LIQUIDITY RISK

### Qualitative information

#### **A. General aspects, management processes and measurement methods for liquidity risk**

Liquidity risk is managed through the Finance Area with the aim of verifying the Group's ability to meet its liquidity needs by avoiding situations of excessive and/or insufficient availability, with the consequent need to invest and/or raise funds at unfavourable rates compared to market rates.

Periodic monitoring and reporting on liquidity risk is the responsibility of the Risk Management function in accordance with the risk tolerance threshold determined in the Liquidity Risk Management Policy. Treasury activities consist of the procurement and allocation of available liquidity through the interbank market, open market operations, repurchase agreements and derivatives.

The objective of operational liquidity management is to ensure the Group's ability to meet expected or unforeseen cash payment commitments in a "going concern" context over a short-term time horizon not exceeding 3 months. The scope of the daily operating liquidity report refers to items with a high level of volatility and a strong impact on the monetary base. The monitoring and control of compliance with operational limits is carried out through the acquisition of information from collection and payment transactions, the management of accounts for services and the trading of financial instruments in proprietary portfolios.

The calculation of counterbalancing capacity makes it possible to supplement the report with all free assets that can be readily used either to be eligible for refinancing with the ECB or to be demobilised. In addition to the application of the haircuts determined by the ECB for eligible securities and A.Ba.Co. financing, appropriate discount factors (broken down by security type, rating, currency) are also prepared for all securities that are not eligible but are nevertheless considered negotiable, appropriately positioned in time intervals.

Further support for liquidity risk management comes from the monitoring of structural liquidity with the primary objective of maintaining an adequate dynamic relationship between medium- to long-term liabilities and assets.

Operations are measured with Asset and Liability Management (A.L.M.) methodologies by means of the ERMAS5 and ObjFin 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.

During 2023, the parent company repaid Euro 1.6 billion for the natural maturity of two TLTRO III tranches (June and December 2023, respectively). Consequently, the total TLTRO III financing position amounted to Euro 1.445 billion as at 31 December 2023 (with maturities in March 2024 for Euro 1 billion and December 2024 for the remaining Euro 445 million).

The Group's liquidity at 31 December 2023 is largely under control with an LCR indicator of 244.92%.

## Quantitative information

### 1. Breakdown by contractual residual maturity of financial assets and liabilities

EURO

| Items/Time bands                                   | On demand         | Over 1 day to 7 days | Over 7 days to 15 days | Over 15 days to 1 month | Over 1 month to 3 months | Over 3 months to 6 months | Over 6 months to 1 year | Over 1 year to 5 years | Over 5 years     | Indefinite maturity |
|----------------------------------------------------|-------------------|----------------------|------------------------|-------------------------|--------------------------|---------------------------|-------------------------|------------------------|------------------|---------------------|
| <b>A. On-balance sheet assets</b>                  | <b>2,535,420</b>  | <b>20,526</b>        | <b>201,021</b>         | <b>217,377</b>          | <b>988,399</b>           | <b>676,015</b>            | <b>1,394,193</b>        | <b>5,062,403</b>       | <b>5,106,427</b> | <b>58,568</b>       |
| A.1 Government securities                          | -                 | -                    | 683                    | -                       | 86,398                   | 69,162                    | 457,938                 | 784,790                | 1,422,000        | -                   |
| A.2 Other debt securities                          | 424               | 46                   | 1,004                  | 8,115                   | 20,501                   | 53,475                    | 14,967                  | 586,242                | 349,593          | -                   |
| A.3 UCITS units                                    | 150,700           | -                    | -                      | -                       | -                        | -                         | -                       | -                      | -                | -                   |
| A.4 Loans                                          | 2,384,296         | 20,480               | 199,334                | 209,262                 | 881,500                  | 553,378                   | 921,288                 | 3,691,371              | 3,334,834        | 58,568              |
| - Banks                                            | 181,246           | 338                  | -                      | -                       | -                        | -                         | -                       | -                      | 898              | 58,568              |
| - Customers                                        | 2,203,050         | 20,142               | 199,334                | 209,262                 | 881,500                  | 553,378                   | 921,288                 | 3,691,371              | 3,333,936        | -                   |
| <b>B. On-balance sheet liabilities</b>             | <b>10,373,188</b> | <b>621,297</b>       | <b>23,702</b>          | <b>61,818</b>           | <b>1,282,053</b>         | <b>532,192</b>            | <b>1,205,419</b>        | <b>2,218,273</b>       | <b>407,736</b>   | <b>-</b>            |
| B.1 Deposits and current accounts                  | 10,327,192        | 13,660               | 23,702                 | 59,626                  | 271,636                  | 411,202                   | 142,239                 | 80,530                 | -                | -                   |
| - Banks                                            | 23,720            | -                    | -                      | -                       | -                        | -                         | -                       | -                      | -                | -                   |
| - Customers                                        | 10,303,472        | 13,660               | 23,702                 | 59,626                  | 271,636                  | 411,202                   | 142,239                 | 80,530                 | -                | -                   |
| B.2 Debt securities                                | 342               | -                    | -                      | 2,192                   | 10,133                   | 2,883                     | 587,606                 | 1,533,031              | 160,000          | -                   |
| B.3 Other liabilities                              | 45,654            | 607,637              | -                      | -                       | 1,000,284                | 118,107                   | 475,574                 | 604,712                | 247,736          | -                   |
| <b>C. Off-balance sheet transactions</b>           | <b>205,343</b>    | <b>17,456</b>        | <b>17,087</b>          | <b>49,991</b>           | <b>43,141</b>            | <b>15,649</b>             | <b>26,209</b>           | <b>101,868</b>         | <b>81,202</b>    | <b>-</b>            |
| C.1 Financial derivatives with capital exchange    | -                 | 17,406               | 16,693                 | 45,174                  | 39,314                   | 8,506                     | 18,294                  | 2,590                  | 20,350           | -                   |
| - Long positions                                   | -                 | 7,898                | 8,349                  | 22,631                  | 29,840                   | 4,258                     | 9,152                   | 1,274                  | -                | -                   |
| - Short positions                                  | -                 | 9,509                | 8,344                  | 22,543                  | 9,475                    | 4,248                     | 9,142                   | 1,316                  | 20,350           | -                   |
| C.2 Financial derivatives without capital exchange | 1,961             | 49                   | 394                    | -                       | 3,129                    | 4,905                     | 7,902                   | -                      | -                | -                   |
| - Long positions                                   | 900               | 49                   | 394                    | -                       | 3,129                    | 4,905                     | 7,902                   | -                      | -                | -                   |
| - Short positions                                  | 1,061             | -                    | -                      | -                       | -                        | -                         | -                       | -                      | -                | -                   |
| C.3 Deposits and loans to be received              | -                 | -                    | -                      | -                       | -                        | -                         | -                       | -                      | -                | -                   |
| - Long positions                                   | -                 | -                    | -                      | -                       | -                        | -                         | -                       | -                      | -                | -                   |
| - Short positions                                  | -                 | -                    | -                      | -                       | -                        | -                         | -                       | -                      | -                | -                   |
| C.4 Commitments to disburse funds                  | 203,382           | -                    | -                      | 4,816                   | 698                      | 2,238                     | 13                      | 99,278                 | 60,852           | -                   |
| - Long positions                                   | 17,743            | -                    | -                      | 4,816                   | 698                      | 2,238                     | 13                      | 99,278                 | 60,852           | -                   |
| - Short positions                                  | 185,639           | -                    | -                      | -                       | -                        | -                         | -                       | -                      | -                | -                   |
| C.5 Financial guarantees given                     | -                 | -                    | -                      | -                       | -                        | -                         | -                       | -                      | -                | -                   |
| C.6 Financial guarantees received                  | -                 | -                    | -                      | -                       | -                        | -                         | -                       | -                      | -                | -                   |
| C.7 Credit derivatives with capital exchange       | -                 | -                    | -                      | -                       | -                        | -                         | -                       | -                      | -                | -                   |
| - Long positions                                   | -                 | -                    | -                      | -                       | -                        | -                         | -                       | -                      | -                | -                   |
| - Short positions                                  | -                 | -                    | -                      | -                       | -                        | -                         | -                       | -                      | -                | -                   |
| C.8 Credit derivatives without capital exchange    | -                 | -                    | -                      | -                       | -                        | -                         | -                       | -                      | -                | -                   |
| - Long positions                                   | -                 | -                    | -                      | -                       | -                        | -                         | -                       | -                      | -                | -                   |
| - Short positions                                  | -                 | -                    | -                      | -                       | -                        | -                         | -                       | -                      | -                | -                   |

**1. Breakdown by contractual residual maturity of financial assets and liabilities  
OTHER CURRENCIES**

| Items/Time bands                                   | On demand     | Over 1 day to 7 days | Over 7 days to 15 days | Over 15 days to 1 month | Over 1 month to 3 months | Over 3 months to 6 months | Over 6 months to 1 year | Over 1 year to 5 years | Over 5 years | Indefinite maturity |
|----------------------------------------------------|---------------|----------------------|------------------------|-------------------------|--------------------------|---------------------------|-------------------------|------------------------|--------------|---------------------|
| <b>A. On-balance sheet assets</b>                  | <b>15,815</b> | <b>5</b>             | <b>21,003</b>          | <b>8,510</b>            | <b>5,742</b>             | <b>2,945</b>              | <b>5,797</b>            | <b>245</b>             | <b>307</b>   | <b>-</b>            |
| A.1 Government securities                          | -             | -                    | -                      | 576                     | -                        | -                         | -                       | -                      | -            | -                   |
| A.2 Other debt securities                          | -             | -                    | -                      | -                       | -                        | -                         | -                       | -                      | -            | -                   |
| A.3 UCITS units                                    | 139           | -                    | -                      | -                       | -                        | -                         | -                       | -                      | -            | -                   |
| A.4 Loans                                          | 15,676        | 5                    | 21,003                 | 7,934                   | 5,742                    | 2,945                     | 5,797                   | 245                    | 307          | -                   |
| - Banks                                            | 15,676        | 5                    | 18,189                 | -                       | -                        | 2,856                     | 5,760                   | -                      | -            | -                   |
| - Customers                                        | -             | -                    | 2,815                  | 7,934                   | 5,742                    | 89                        | 37                      | 245                    | 307          | -                   |
| <b>B. On-balance sheet liabilities</b>             | <b>51,411</b> | <b>-</b>             | <b>-</b>               | <b>92</b>               | <b>-</b>                 | <b>3,302</b>              | <b>5,654</b>            | <b>-</b>               | <b>-</b>     | <b>-</b>            |
| B.1 Deposits and current accounts                  | 51,411        | -                    | -                      | 92                      | -                        | 3,302                     | 5,654                   | -                      | -            | -                   |
| - Banks                                            | 1,668         | -                    | -                      | -                       | -                        | -                         | -                       | -                      | -            | -                   |
| - Customers                                        | 49,743        | -                    | -                      | 92                      | -                        | 3,302                     | 5,654                   | -                      | -            | -                   |
| B.2 Debt securities                                | -             | -                    | -                      | -                       | -                        | -                         | -                       | -                      | -            | -                   |
| B.3 Other liabilities                              | -             | -                    | -                      | -                       | -                        | -                         | -                       | -                      | -            | -                   |
| <b>C. Off-balance sheet transactions</b>           |               |                      |                        |                         |                          |                           |                         |                        |              |                     |
| C.1 Financial derivatives with capital exchange    |               |                      |                        |                         |                          |                           |                         |                        |              |                     |
| - Long positions                                   | -             | 9,502                | 8,380                  | 24,683                  | 9,364                    | 4,203                     | 9,022                   | 1,246                  | -            | -                   |
| - Short positions                                  | -             | 7,883                | 8,380                  | 24,758                  | 9,364                    | 4,203                     | 9,022                   | 1,246                  | -            | -                   |
| C.2 Financial derivatives without capital exchange |               |                      |                        |                         |                          |                           |                         |                        |              |                     |
| - Long positions                                   | -             | -                    | -                      | -                       | -                        | -                         | -                       | -                      | -            | -                   |
| - Short positions                                  | -             | -                    | -                      | -                       | -                        | -                         | -                       | -                      | -            | -                   |
| C.3 Deposits and loans to be received              |               |                      |                        |                         |                          |                           |                         |                        |              |                     |
| - Long positions                                   | -             | -                    | -                      | -                       | -                        | -                         | -                       | -                      | -            | -                   |
| - Short positions                                  | -             | -                    | -                      | -                       | -                        | -                         | -                       | -                      | -            | -                   |
| C.4 Commitments to disburse funds                  |               |                      |                        |                         |                          |                           |                         |                        |              |                     |
| - Long positions                                   | -             | -                    | -                      | -                       | -                        | -                         | -                       | -                      | -            | -                   |
| - Short positions                                  | -             | -                    | -                      | -                       | -                        | -                         | -                       | -                      | -            | -                   |
| C.5 Financial guarantees given                     | -             | -                    | -                      | -                       | -                        | -                         | -                       | -                      | -            | -                   |
| C.6 Financial guarantees received                  | -             | -                    | -                      | -                       | -                        | -                         | -                       | -                      | -            | -                   |
| C.7 Credit derivatives with capital exchange       |               |                      |                        |                         |                          |                           |                         |                        |              |                     |
| - Long positions                                   | -             | -                    | -                      | -                       | -                        | -                         | -                       | -                      | -            | -                   |
| - Short positions                                  | -             | -                    | -                      | -                       | -                        | -                         | -                       | -                      | -            | -                   |
| C.8 Credit derivatives without capital exchange    |               |                      |                        |                         |                          |                           |                         |                        |              |                     |
| - Long positions                                   | -             | -                    | -                      | -                       | -                        | -                         | -                       | -                      | -            | -                   |
| - Short positions                                  | -             | -                    | -                      | -                       | -                        | -                         | -                       | -                      | -            | -                   |



## SECTION 5 - OPERATIONAL RISK

### Qualitative information

#### **A. General aspects, management processes and measurement methods for operational risk**

Operational risk means the risk of loss resulting from inadequate or failed internal processes, human resources and systems, or from exogenous events, including legal risk (see EU Regulation 575/2013).

Banco Desio 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 business process improvement.

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 realised within the Bank;
- 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 - Banco Desio calculates the capital requirement using the "Traditional Standardised Approach" method. In order to comply with the relevant regulatory requirements, the Bank has adopted an operational process and methodology for allocating the Relevant Indicator to the 8 lines of business envisaged by the regulations, and has set up a specific internal IT procedure.

The 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. This reporting was also integrated with the findings of the Risk Self-Assessment process.

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 Banco Desio, which attaches central importance to risk management strategies by continuously adopting measures that comply with current privacy provisions, security regulations and the main industry standards, with the aim of guaranteeing the protection of information systems from events that could have a negative impact on Banco Desio e della Brianza and the rights of those concerned.

The management, control and measurement of IT risks, including cyber risk, is embedded in the broader system of internal controls and risk management adopted by Banco Desio.

With reference to the main operational and organisational safeguards currently in place to ensure data security and protection, it should be noted that Banco Desio has adopted:

- 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;
- application and infrastructure change management procedures;
- threat alerting systems also through the use of SOC (Security Operation Centre) services by specialised operators. A service incorporating an advanced computer application with an intrusion detection system was also recently acquired (so-called Intrusion Detection System) and a component that makes use of machine learning techniques to group devices on the network into groups (clusters) that are homogeneous in terms of behaviour and support the detection of anomalous phenomena and generate alerts;
- a daily monitoring service of ICT security performance by means of a rating system (external evaluation by a specialised operator used worldwide).

With reference to the most recent regulatory developments (i.e. 40th update of Circ. 285/13), the following changes were made to the relevant internal regulations (Internal Rules, Functional Chart, IT Security Policy, IT Risk Framework):

- ✓ expansion of the tasks of the Board of Directors and the CEO: approval of the organisational and governance structure of the Bank by the Board of Directors, approval of the ICT Change Management Procedures and Summary Reports by the CEO, etc.;
- ✓ organisational model: chosen model involving the assignment of ICT and security control responsibilities to existing control functions (Risk Management Department and Compliance Department);
- ✓ operational model: definition of roles and responsibilities of each existing control function (Risk Department and Compliance function), connection mechanisms, actions to ensure that the two functions have the necessary competences and adequately respond to all regulatory requirements;
- ✓ defined a short/medium/long-term action plan, detailing actions and deadlines on the following main organisational and operational areas for ICT and Security Risk Management: ICT and Security Risk Management, Information Security and ICT Operations Management, ICT Project and Change Management, Operational Continuity Management.

With reference to the main lines of evolution envisaged, it should be noted that the Parent Company is engaged in a process of:

- ✓ Progressive compliance with the DORA regulation, which defines a framework of rules for the identification and management of ICT risks, establishing obligations regarding the testing of ICT infrastructures and suppliers, fostering the application of strategies, policies, procedures, tools and protocols on digital operational resilience. The Group will strive to meet the new requirements by intervening on processes (e.g. Operational Continuity, Incident Management, ICT and Cyber Risk Management Framework, Third Party Governance) and working tools (e.g. CMDB and third-party management tools, security and incident management applications).
- ✓ Continuous strengthening of first-level cyber security controls through the development of a KPI system capable of continuously monitoring the following areas: the Bank's cyber security posture, the effectiveness of anti-fraud detection systems, exposure to vulnerabilities, and incident management.

### Logical Security Management

In response to the extraordinary needs that have emerged in connection with the ongoing state of war, 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;
- revised the Fraud Management processes and tools 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.), financial markets and electricity delivery systems. This crisis response methodology is also applied by the subsidiary Fides as a Group-wide Business Continuity Plan has been developed since 2023.

The following improvements were also made:

- Further implementation of notebooks as new workstations for the Headquarters and the Network in order to increase mobility;
- Cyber attack simulation test in cooperation with ABILab and CERTFin;
- migration of the server farm to the AWS cloud outsourced CEDACRI, in order to increase the resilience of internal systems.

*Risk related to administrative responsibilities*

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 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*

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.

Banco Desio e della Brianza, as part of its operations, has been involved in legal proceedings in the presence of which, where deemed appropriate by the competent corporate functions, specific loss provisions are assessed. The following table summarises the litigation in progress at the end of the reporting period with the relevant provisions:

|                         | <b>Number</b> | <b>Claim</b>       | <b>Allocated provisions</b> |
|-------------------------|---------------|--------------------|-----------------------------|
| Lawsuits for revocation | 9             | Euro 8.8 million   | Euro 1.4 million            |
| Other lawsuits          | 423           | Euro 131.2 million | Euro 10.2 million           |

Disclosure "1.5. Operational Risks" in "Section 2 - Prudential consolidation risks" contained in "Part E - Information on risks and related hedging policies" of the Consolidated Notes to the Financial Statements describes the main disputes, with claim exceeding Euro 1 million, outstanding at the reporting date.

## Quantitative information

The number of prejudicial events recorded by Banco Desio e della Brianza at 31 December 2023 amounted to 1,195 events. The result of the process of collecting prejudicial events is summarised in the table below:

| Event Type                                                                                                                                                                                                                                    | % Events | % of total | % of total | % Recoveries |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|------------|------------|--------------|
| INTERNAL FRAUD Losses due to acts of fraud, embezzlement, circumvention of statutes, laws or company policies (excluding incidents of discrimination), involving at least one internal member of the bank                                     | 0.08%    | 1.5%       | 1.5%       | 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                                                            | 5.94%    | 19.2%      | 19.5%      | 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                                        | 0.08%    | 1.7%       | 1.7%       | 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) | 6.86%    | 44.6%      | 45.2%      | 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                                                                                        | 1.00%    | 1.5%       | 0.8%       | 46.92%       |
| BUSINESS INTERRUPTION AND SYSTEM FAILURES Losses resulting from the blocking of computer systems or line connections                                                                                                                          | 0.00%    | 0.0%       | 0.0%       | 0.00%        |
| ORDER EXECUTION, PRODUCT DELIVERY AND PROCESS MANAGEMENT                                                                                                                                                                                      | 86.04%   | 31.5%      | 31.3%      | 2.48%        |
| <b>TOTAL Banco Desio e della Brianza</b>                                                                                                                                                                                                      | 100.00%  | 100.00%    | 100.0%     | 1.5%         |

The gross operating loss amounted to Euro 5,728 thousand, on which, during the reporting period, provisions of Euro 3,951 thousand and recoveries of Euro 85 thousand were made; consequently, the net operating loss amounted to Euro 5,643 thousand.

## PART F - INFORMATION ON EQUITY

### Section 1 - Company equity

#### A. Qualitative information

The Board of Directors has always paid primary attention to the bank's equity capital, aware both of its function as a factor in preserving the confidence of its stakeholders, as it can be used to absorb any losses, and of the importance of the same in its management for purely operational and business development purposes. A good level of capitalisation makes it possible to face corporate development with the necessary margins of autonomy and preserve the stability of the Bank.

The notion of accounting equity used by the Bank is the algebraic sum of the following balance sheet liability items: Capital, Valuation reserves, Reserves, Share premium and Profit for the year.

It is therefore the policy of the Board of Directors to give a high priority to equity in order to make the best use of it in the expansion of the bank's business, and to optimise the return for shareholders while maintaining a prudent risk profile. With regard to the latter, it should be recalled that the main component of the minimum regulatory capital requirements relates to credit risk against a loan portfolio split across its "core" sector consisting of local businesses and households.

Equity at 31 December 2023, including the net profit for the period, increased to a total of Euro 1,347.8 million, compared to Euro 1,118.6 million in the 2022 financial year.

#### B. Quantitative information

##### B.1 Equity: breakdown

| Items/Values                                                                  | 31.12.2023       | 31.12.2022       |
|-------------------------------------------------------------------------------|------------------|------------------|
| 1. Capital                                                                    | 70,693           | 70,693           |
| 2. Share premiums                                                             | 16,145           | 16,145           |
| 3. Reserves                                                                   | 1,019,781        | 956,816          |
| - of profits                                                                  | 1,008,099        | 945,134          |
| a) legal                                                                      | 119,250          | 110,431          |
| b) extraordinary                                                              | 687,141          | 634,307          |
| d) other                                                                      | 201,708          | 200,396          |
| - other                                                                       | 11,682           | 11,682           |
| 6. Valuation reserves:                                                        | 3,136            | (13,230)         |
| - Equity securities measured at fair value through other comprehensive income | (523)            | 551              |
| - Financial assets measured at fair value through other comprehensive income  | (16,630)         | (34,171)         |
| - Tangible assets                                                             | 95               | 123              |
| - Cash flow hedges                                                            | -                | -                |
| - Actuarial gains (losses) on defined-benefit pension plans                   | (2,872)          | (2,799)          |
| - Special revaluation laws                                                    | 23,066           | 23,066           |
| 7. Profit (loss) for the year                                                 | 238,045          | 88,189           |
| <b>Total</b>                                                                  | <b>1,347,800</b> | <b>1,118,613</b> |

**B.2 Valuation reserves of financial assets measured at fair value through other comprehensive income: breakdown**

| Assets/Values        | 31.12.2023       |                  | 31.12.2022       |                  |
|----------------------|------------------|------------------|------------------|------------------|
|                      | Positive reserve | Negative reserve | Positive reserve | Negative reserve |
| 1. Debt securities   | 1,686            | 18,316           | 341              | 34,512           |
| 2. Equity securities | -                | 523              | 1,094            | 543              |
| 3. Loans             |                  |                  |                  |                  |
| <b>Total</b>         | <b>1,686</b>     | <b>18,839</b>    | <b>1,435</b>     | <b>35,055</b>    |

**B.3 Valuation reserves of financial assets measured at fair value through other comprehensive income: changes in the year**

|                                                                      | Debt securities | Equity securities | Loans |
|----------------------------------------------------------------------|-----------------|-------------------|-------|
| <b>1. Opening balance</b>                                            | <b>(34,171)</b> | <b>551</b>        |       |
| <b>2. Positive changes</b>                                           | <b>17,840</b>   | <b>20</b>         |       |
| 2.1 Increases in fair value                                          | 17,717          |                   |       |
| 2.2 Value adjustments for credit risk                                | 27              |                   |       |
| 2.3 Transfer to income statement of negative reserves from disposals | 96              |                   |       |
| 2.4 Transfers to other equity components (equity securities)         |                 | 20                |       |
| 2.5 Other changes                                                    |                 |                   |       |
| <b>3. Negative changes</b>                                           | <b>(299)</b>    | <b>(1,094)</b>    |       |
| 3.1 Reductions in fair value                                         |                 |                   |       |
| 3.2 Reversals for credit risk                                        | (21)            |                   |       |
| 3.3 Transfer to income statement of positive reserves from disposals | (278)           |                   |       |
| 3.4 Transfers to other equity components (equity securities)         |                 | (1,094)           |       |
| 3.5 Other changes                                                    |                 |                   |       |
| <b>4. Closing balance</b>                                            | <b>(16,630)</b> | <b>(523)</b>      |       |

**B.4 Valuation reserves relating to defined-benefit plans: changes in the year**

The valuation reserves relating to defined benefit plans recorded a negative effect of Euro 73 thousand during the year (net of the related tax effect of Euro 28 thousand), resulting from the change in the discounting of the employee severance indemnity provision determined for statutory purposes.

## **Section 2 - Own funds and regulatory capital ratios**

As provided for in the 8th Update of Circular 262 "Banks' financial statements: formats and rules for preparation", reference is made to the public disclosure ("Pillar 3") provided at the consolidated level by the Bank.



## **PART G - BUSINESS COMBINATIONS INVOLVING BUSINESSES OR BUSINESS UNITS**

### **Section 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 40 former BPER Banca (formerly Banca Carige) and 8 bank branches formerly 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 Annual Financial Report, a definitive Purchase Price Allocation (PPA) was made (in accordance with IFRS 3 Business Combinations), which resulted in a "gain from a bargain purchase", or goodwill or negative goodwill. Considering this result, the same PPA took into account the agreements reached in the meantime with the counterparty with which an adjustment was also recognised on the basis of the gross banking product actually acquired.

The determination of the impact of the PPA process required the support of qualified independent experts, through whom the fair value at the acquisition date of certain balance sheet items was determined, also with the support of Banco Desio internal structures. The remaining balance sheet items were valued internally by Banco Desio structures.

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 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. With regard to the transaction for the acquisition of the 48 branches from the BPER group, the valuation period and, consequently, the PPA process, ended on 8 February 2024, the date of approval by the Board of Directors of Banco Desio annual and consolidated results for the year ended 31 December 2023, since, on that date, all activities to identify the assets and liabilities acquired (including contingent liabilities) and to measure their fair value were completed. In particular, EY (a leading independent expert active in the fields of Enterprise Risk Management and Financial Advisory) considered that it had all the necessary elements to determine the fair value of the Performing Loan and Intangible Assets, thus concluding its estimation activities. Gabriele Villa, who was asked by Banco Desio to conduct a critical review of the evaluation methods adopted, also expressed a positive opinion on the correctness and methodological consistency, the rationality of the hypotheses adopted, the appropriateness of the application choices and the overall reasonableness of the results of the PPA process.

## 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 the first months of 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<sup>32</sup>:

- 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.
- 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"<sup>33</sup>.
- 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 (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 is therefore applied, as better described in Part A.2 of these Notes to the Financial Statements, to which reference should be made.

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.

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<sup>32</sup> As required by paragraph 3B of IFRS 3

<sup>33</sup> Ref. paragraph B12C of IFRS 3: 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);
- b) it contributes significantly to the ability to continue to generate output and:
  - i) it is considered unique or scarce;
  - 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<br>Lanternina<br>Transaction | Fair Value<br>differences | Acquisition FV   |
|-------------------------------------------------|------------------|----------------|------------------------------------|---------------------------|------------------|
| 10. Cash and cash equivalents                   | 7,690            | 1,156          | 8,846                              | 0                         | 8,846            |
| 40. Financial assets measured at amortised cost | 1,093,985        | 220,112        | 1,314,097                          | -21,876                   | 1,292,221        |
| a) loans with banks                             | 275,644          | 0              | 275,644                            | 0                         | 275,644          |
| b) loans to customers                           | 818,341          | 220,112        | 1,038,453                          | -21,876                   | 1,016,577        |
| 80. Tangible assets                             | 12,951           | 104            | 13,055                             | 2,277                     | 15,332           |
| a) owned assets                                 | 12,951           | 104            | 13,055                             | -1,885                    | 11,170           |
| b) rights of use acquired through leases        | 0                | 0              | 0                                  | 4,162                     | 4,162            |
| 90. Intangible assets                           | 0                | 0              | 0                                  | 21,150                    | 21,150           |
| 100. Tax assets                                 | 0                | 0              | 0                                  | 623                       | 623              |
| b) deferred                                     | 0                | 0              | 0                                  | 623                       | 623              |
| 120. Other assets                               | 23,822           | 4,673          | 28,495                             | -5                        | 28,490           |
| <b>Total assets</b>                             | <b>1,138,448</b> | <b>226,045</b> | <b>1,364,493</b>                   | <b>2,169</b>              | <b>1,366,662</b> |

| Liabilities                                          | BPER Branch      | BDS Branch     | Total<br>Lanternina<br>Transaction | Fair Value<br>differences | Acquisition FV   |
|------------------------------------------------------|------------------|----------------|------------------------------------|---------------------------|------------------|
| 10. Financial liabilities measured at amortised cost | 1,077,113        | 203,817        | 1,280,930                          | 4,162                     | 1,285,092        |
| a) payables to banks                                 | 0                | 35,552         | 35,552                             | 0                         | 35,552           |
| b) payables to customers                             | 1,077,113        | 168,265        | 1,245,378                          | 4,162                     | 1,249,540        |
| 60. Tax liabilities                                  | 0                | 0              | 0                                  | 6,994                     | 6,994            |
| b) deferred                                          | 0                | 0              | 0                                  | 6,994                     | 6,994            |
| 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                              | 380                       | 1,785            |
| a) commitments and guarantees given                  | 278              | 271            | 549                                | -279                      | 270              |
| c) other provisions for risks and charges            | 712              | 144            | 856                                | 659                       | 1,515            |
| <b>Total liabilities</b>                             | <b>1,081,250</b> | <b>204,599</b> | <b>1,285,849</b>                   | <b>11,415</b>             | <b>1,297,264</b> |

At the date of approval of this Annual Financial Report, acquired asset balances were definitively determined and measured at fair value with the support of accredited external advisors, as indicated below. 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, the performing loans assessed mark-to-model, with the support of EY, amounted to approximately Euro 860.5 million. The valuation process resulted in an overall fair value lower than the relevant carrying amount by a total of Euro 21.9 million (Euro 9.3 million relating to the BPER Branch and Euro 12.6 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 analyses carried out at the date of preparation of this Annual Financial Report led to the consideration that the carrying amount acquired at the reference date can be considered a reasonable approximation of the fair value in accordance with the provisions of IFRS 13, taking into account that the amount of impaired financial assets acquired (so-called "Purchased or Originated Credit Impaired Assets" or "POCI") is small in total and consists of Euro 10.8 million of UTP and Euro 3.0 million of Past Due.

- Tangible assets: independent fair-value valuations were performed on all properties subject to acquisition (land and buildings), based on on-site appraisals conducted by the expert retained by Banco Desio. The results of these activities, in which the current context of the real estate market was taken into account, led to the estimate of an adjustment to the aforementioned real estate portfolio, made up of twenty-five former Carige branches, to adjust the relative fair value of a total of Euro 1.8 million. Further appraisal activities conducted led to an estimated adjustment on other tangible assets acquired (office equipment) totalling Euro 0.1 million. The lower value of tangible assets resulted in the recognition of related deferred tax assets of Euro 0.6 million as a balancing entry to negative goodwill.
- 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 Annual Financial Report, the Bank concluded the analyses aimed at identifying the intangibles originating from the so-called client relationship, not already recognised in the transferor's financial statements. Based on the examination conducted, it emerged that there are the preconditions for enhancing the value of both the direct inflows component (core deposits) and the indirect inflows component acquired (asset under management and asset under administration). The necessary investigations were carried out to identify all the information useful for the most adequate valorisation of these intangible assets, the explicit value of which was determined using a "Multi-period Excess Earning Method - MEEM" model, as per best practices market.

The estimate of the value of the intangibles was conducted, with the support of EY, discounting the expected net economic flows over a defined time horizon. The net cash flows of intangible assets were estimated by taking into account volumes, net margins, operating costs and capital absorption related to the operational risk associated with intangible assets. The cost of capital, which is equal to the rate of return on equity required by shareholders for investments with similar risk characteristics, was used to discount the projected net cash flows related to intangible assets. This rate was estimated using the CAPM (Capital Asset Pricing Model) method. The useful life of intangibles was estimated on the basis of the churn rates of acquired customers.

Based on the above, the analyses led to the recognition of new intangible assets, against an increase in negative goodwill, totalling Euro 21.2 million (14.3 million referring to core deposits and 6.8 million to assets under management and assets under administration), gross of related deferred tax liabilities of Euro 7.0 million.

- 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 Annual Financial Report, to estimate contingent liabilities of Euro 0.5 million attributable to the estimated technical interventions for the technological systems relating to the acquired properties.

- Fiscal effects: for the purposes of preparing this Annual Financial Report, the economic result of the combination (classified as the acquisition of a business unit) has been given fiscal relevance for the purposes of direct IRES taxes for the year, in line with the Revenue Agency's Opinion received on 9 October 2023, in response to the Interpretation Request formulated by the Bank on 14 July 2023 and concerning the tax regime applicable to the balance sheet and income statement components arising from the PPA process carried out at the time of the acquisition of the business unit in question. The resulting current tax burden was accounted for within the item "Income taxes for the period on current operations" for a total of Euro 14.7 million, taking into account the non-deductibility of the valuation process of properties and the irrelevance for tax purposes of the valuation process of intangibles.

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 result of the PPA process.

Euro/000

| Determination of goodwill                                             | BPER Branch   | BDS Branch     | Total<br>Lanternina<br>Transaction |
|-----------------------------------------------------------------------|---------------|----------------|------------------------------------|
| <b>Assets at carrying amounts at 20 February 2023</b>                 | <b>57,198</b> | <b>21,446</b>  | <b>78,644 (a)</b>                  |
| <b>Fair value adjustment effects of individual accounting items</b>   | <b>1,806</b>  | <b>-11,052</b> | <b>-9,246 (b)</b>                  |
| - of which loans to customers                                         | -9,066        | -12,531        | -21,597                            |
| - of which tangible assets owned                                      | -1,873        | -12            | -1,885                             |
| - of which intangible assets                                          | 18,830        | 2,320          | 21,150                             |
| - of which employee severance indemnity                               | 105           | 16             | 121                                |
| - of which other provisions for risks and charges                     | -582          | -77            | -659                               |
| - of which other accounting items                                     | 0             | -5             | -5                                 |
| - of which tax-related effects                                        | -5,608        | -763           | -6,371                             |
| <b>Assets at fair value at 20 February 2023</b>                       | <b>59,004</b> | <b>10,394</b>  | <b>69,398 (c)=(a)+(b)</b>          |
| <b>Acquisition cost</b>                                               | <b>3,302</b>  | <b>0</b>       | <b>3,302 (d)</b>                   |
| - of which sale consideration                                         | 6,722         | 0              | 6,722                              |
| - of which compensation for non-transfer of acquiring/monetary branch | -2,500        | 0              | -2,500                             |
| - of which price adjustment per gross banking product                 | -920          | 0              | -920                               |
| <b>Goodwill at the date of acquisition resulting from the PPA</b>     | <b>55,702</b> | <b>10,394</b>  | <b>66,096 (e)=(c)-(d)</b>          |
| <b>Current IRES taxes on taxable goodwill</b>                         |               |                | <b>-14,736</b>                     |
| <b>Goodwill after taxes</b>                                           |               |                | <b>51,360</b>                      |

At the end of the allocation process, the total gross benefit from the acquisition amounted to Euro 66.1 million, recorded as income under "Other operating income/expenses" in the income statement.

With reference to the valuation process, conducted mainly with the support of independent experts, which led to the recognition of the aforementioned goodwill, it should be noted that paragraph 36 of IFRS 3 requires that the acquirer, in order to ensure that the valuations correctly reflect all information at the acquisition date, before recognising a goodwill item in the income statement, must perform a reassessment of the valuation process already conducted in order to ascertain the completeness of the restatement activities and the reasonableness and non-arbitrariness of the valuation methodologies and parameters adopted. In addition, the ECB in January 2021 issued guidance in relation to the inclusion of goodwill in the acquiring entity's own funds, emphasising the need for appropriate checks on the correct determination of goodwill arising from the PPA process. In this context, Banco Desio reviewed the main assessments, both directly and with the support of its previously mentioned consultants.

In addition, as further activity to verify the correctness and reasonableness of the conclusions reached and the emerging goodwill, Banco Desio requested Gabriele Villa to conduct a critical review of the valuation methods adopted, verifying in particular the completeness of the valuations and the reasonableness and non-arbitrariness of the valuation methodologies and parameters adopted. As a result of the checks carried out, on 5 February 2024, Gabriele Villa expressed a positive opinion on the correctness and methodological consistency, the rationality of the hypotheses adopted, the appropriateness of the application choices and the overall reasonableness of the results deriving from the PPA process.

In relation to the disclosure required by paragraph B64 (a) (i) and (ii) of IFRS 3 and referring, respectively, to the revenues and profits of the business acquired from the date of acquisition up to the reference date of this Annual Financial Report and to the presentation of the revenues, profits and losses of the entity resulting from the combination itself for the current period, assuming that it took place at the beginning of the reporting period, it should be noted that it is not available as the business acquired does not represent a separate operating segment and, therefore, is not subject to separate reporting.

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 moreover recorded in the income statement; these differences mainly refer to book items at amortised cost (e.g. loans to customers and intangibles); the impact on the income statement at 31 December 2023 was positive in the amount of Euro 2.9 million, gross of the related tax effect.

## **Section 2 - Transactions realised after the end of the year**

### **Binding agreements signed for entry into the share capital of Dynamica Retail S.p.A.**

On 31 January 2024, Banco Desio announced that it had signed a sale and purchase agreement and an investment agreement with the shareholders of Dynamica Retail S.p.A ("Dynamica" or "Company"), a company active in the provision of salary-backed loans to private customers, concerning the Banco Desio entry into the share capital of Dynamica through the purchase of the majority of the share capital and the subscription of a capital increase reserved for Banco Desio.

Upon completion of the Transaction, the execution of which is conditional upon, inter alia, obtaining authorisation from the Bank of Italy, Banco Desio will hold a stake of no less than 80% of the Company's share capital, while the remaining stake will be held by the current management, which will continue to contribute to the growth of the Company within the Banco Desio Group.

Specifically, the purchase and sale of Dynamica shares, representing 57% of the related share capital, will take place against the payment of a preliminary consideration of approximately Euro 1.2 million (subject to adjustment based on Dynamica results at 31 December 2023), while the capital increase reserved for Banco Desio will amount to approximately Euro 6-7 million (the final amount will be determined based on Dynamica results at 31 December 2023 as well as the maintenance of the regulatory ratios). The payment of the consideration will take place entirely in cash through Banco Desio cash and cash equivalents, and the transaction is expected to close within the first half of 2024.

The binding agreements also provide for a purchase option in favour of Banco Desio to be exercised as from the approval of the financial statements for the year ending 31 December 2025, concerning the remaining shares held by shareholders who are also managers of Dynamica, the purchase price of which will be determined on the basis of Dynamica results and shared business objectives.

As required by paragraph B66 of IFRS 3, it should be noted that, at the date of approval of these financial statements, part of the information required by paragraph B64 of IFRS 3 was not provided, as it was not available.

## PART H - 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 Group's Remuneration Policies" at 31 December 2023 prepared pursuant to Article 123-ter TUF and published on the website at [www.bancodesio.it](http://www.bancodesio.it).

### 2 - Information on related party transactions

The Internal Procedure ("Internal Regulation") for the management of related party transactions and parties included in the scope of application of Article 136 TUB, adopted in compliance with Consob Regulation No. 17221/2010 as updated by Resolution No. 21624/2020, and supplemented in compliance with the Prudential Supervisory Provisions on risk activities and conflicts of interest in respect of parties connected with the Bank or the Banking Group pursuant to Article 53 of the Consolidated Law on Banking and most recently supplemented in compliance with the 35th update of Bank of Italy Circular No. 285 and related enactment in implementation of the EU Directive so-called CRD5, is described in the Annual Corporate Governance Report at 31 December 2023. The Procedure itself is published, in compliance with the aforementioned Regulation, on the website at [www.bancodesio.it](http://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<sup>34</sup>;
- 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 Bank;
- c) on any changes or developments in related party transactions described in the last annual report that had a material effect on the Bank's financial position or results,

in the year under review, there were no noteworthy transactions, with the exception of the issue by Banco di Desio e della Brianza S.p.A. ("Banco Desio" or the "Bank") of a subordinated Tier2 bond loan pursuant to Article 12 of the TUB (Consolidated Law on Banking ) fully subscribed by Brianza Unione di Luigi Gavazzi e Stefano Lado S.A.p.A. (parent company).

\* \* \*

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 31 December 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.

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<sup>34</sup> With regard to the materiality index of the value of related party transactions, the Internal Regulation refers to a materiality threshold of Euro 37.5 million (corresponding to 5% of the consolidated regulatory capital calculated for Banco Desio at the date of adoption of the Procedure itself)



The following paragraphs summarise - in a prudential logic of unitary management of potential conflicts of interest - the relationships in place with the Parent company, subsidiaries and associates, as well as with other related parties pursuant to Article 53 TUB and/or Article 2391-bis of the Italian Civil Code. (comprising entities treated pursuant to article 136 of the Consolidated Law on Banking (TUB) in accordance with the regulations, including internal regulations in force), highlighting in particular the balances of current accounts and securities portfolios at year-end.

## **I - Parent Company**

On 3 July 2023, Banco di Desio e della Brianza S.p.A. entered into, with Brianza Unione di Luigi Gavazzi e Stefano Lado S.A.p.A. ("Brianza Unione"), an agreement for the subscription by the latter of a 10Y non-call 5Y Subordinated Tier 2 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.

The two issues of Tier 2 Subordinated Bonds are placed in the broader context of a transaction aimed at determining the assignment of a Tier 2 liability within the framework of the prudential regulations applicable pursuant to the CRR for the purposes of individual and consolidated prudential supervision, respectively Banco Desio and the Banco Desio Banking Group (the "Transaction").

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.

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. Providing the foregoing, 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 details 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 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](http://www.1info.it)), as well as on the Banco Desio website (section The Bank/Governance/Corporate documents/Related parties).

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At year-end, debit balances (due to customers) with the parent company Brianza Unione amounted to a total of Euro 0.6 million, referring to the current account relationship held with Banco Desio. Also worth mentioning is the position relating to the Securities in Custody and Administration portfolio amounting to Euro 312.1 million.

With the Parent Company Brianza Unione di Luigi Gavazzi e Stefano Lado SapA, 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".

It should be noted that in the course of 2023, the 5-year unsecured bullet loan, for a total amount of Euro 5 million, set up at the time in favour of the same Company and falling within the scope of application of Article 136 of the Consolidated Law on Banking by virtue of the positions held by certain Exponents, was extinguished.

## II - Subsidiaries

The following is a summary of the significant transactions with subsidiaries approved by the Board of Directors during the year, within the framework of the aforementioned Procedure.

| Counterparty | Transaction Type                                 | Economic amounts/conditions (Euro)                           |
|--------------|--------------------------------------------------|--------------------------------------------------------------|
| Fides S.p.A. | Overdraft for ordinary current account overdraft | Total increase from Euro 1,045,046,500 to Euro 1,195,046,500 |

The amount of assets/liabilities, as well as guarantees/commitments and income/expenses, arising from relations with the aforementioned companies is shown in Paragraph 8.4 of the Report on Operations under the heading "subsidiaries".

## III - Associates

On 29 June 2022, after obtaining the necessary legal authorisations, the Partnership Agreements for the entry of Banco Desio in the share capital of Anthilia Capital Partners SGR S.p.A. ("Anthilia" or the "SGR") were executed. By virtue of the size of the investment held in the aforementioned company - equal to 15% of the SGR share capital - and of the contents of the partnership agreements entered into (investment agreement, commercial framework agreement, shareholders' agreements), there is currently an associated investment with the aforementioned company.

The Bank is also one of the main investors in the new "Anthilia GAP - Special Situation Fund". The investment transaction (up to a maximum amount of Euro 23,000,000) in the aforementioned alternative investment fund was submitted to the Committee for Transactions with Related and Connected Parties for its prior opinion in consideration of the "non-ordinary" nature of the transaction.

For the sake of completeness, we report subscriptions for a countervalue of Euro 7,000,000 in the open-end Planetarium Fund - Anthilia White and Planetarium Fund - Anthilia Yellow.

For further details, please refer to the description in the Report on Operations at 31 December 2023

#### IV - Transactions with Officers and with parties related to them <sup>35</sup>

With regard to the entrustment transactions approved in 2023 pursuant to Article 53 of the Consolidated Law on Banking (also in accordance with the new provisions introduced by the Legislative Decree implementing Directive 2013/36/EU, the so-called CRD IV) and/or Article 2391-bis of the Italian Civil Code (comprising parties treated pursuant to Article 136 of the Consolidated Law on Banking, in compliance with the regulations, including internal regulations in force), it should be noted that these were mainly ordinary credit disbursement transactions to Bank Officers and/or parties related to them (meaning directors, statutory auditors and key managers in the Bank and in subsidiaries). These ties did not affect the application of the normal criteria for assessing creditworthiness. The total amount granted on the 33 positions outstanding at 31 December 2023 was about Euro 14.4 million and the related utilisations totalled about Euro 6.6 million.

With regard to the inflows relationships held by the Bank directly with the Officers, as well as with related parties, it should also be noted that the total balances at 31 December 2023 amounted to approximately Euro 172.5 million in amounts due to customers (including approximately Euro 153.2 million in securities portfolios).

Transactions and balances relating to the parent company and the subsidiary and associates referred to in paragraphs I, II and III above are excluded from the above calculations.

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

|                                                        | Balances at<br>31.12.2023<br>(In Euro/millions) |
|--------------------------------------------------------|-------------------------------------------------|
| <b><u>Entrustment transactions:</u></b>                |                                                 |
| Amount granted                                         | 14.4                                            |
| Amount used                                            | 6.6                                             |
| <b><u>Collection transactions:</u></b>                 |                                                 |
| Amount of current accounts<br>and savings deposits (a) | 19.3                                            |
| Amount of securities portfolios<br>(b)                 | 153.2                                           |
| Total (a+b)                                            | 172.5                                           |

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.

<sup>35</sup> Related parties within the meaning of Article 53 of the Consolidated Law on Banking (including parties treated in accordance with Article 136 of the Consolidated Law on Banking) and/or Article 2391-bis of the Italian Civil Code (other than the Parent Company and subsidiaries/associates)

## **PART I – Payment agreements based on own equity instruments**

### **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, in which inclusive corporate culture and gender neutrality are becoming increasingly important. The Banco Desio Group’s remuneration policy is gender-neutral.

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<sup>36</sup> 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;

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<sup>36</sup> Subjects whose professional activities have, or may have, a significant impact on the Group’s risk profile.

- 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<sup>37</sup>.

Of the up-front portion of the incentive, 50% is recognised in "Banco Desio phantom shares"<sup>38</sup> 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<sup>39</sup> 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, which is alongside the STI 2023 plan and the previous STI 2022.

The "LTI 2024-2026" Plan is intended for approximately 40 managerial roles of the Group (including those belonging to functions with control tasks, through dedicated KPIs), selected on the basis of the level of the position and the impact on the business, including the Chief Executive Officer and Key Executives of the Parent Company and Fides, considered fundamental for their respective skills for the implementation and success of the 2024-2026 "Beyond 26" Strategic Plan, approved by the Board of Directors on 23 November 2023, with the right to identify any additional ones due to organisational changes or with a view to attraction and retention (the "Recipients"). The incentive related to the LTI Plan (LTI incentive) also 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.

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<sup>37</sup> 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"

<sup>38</sup> 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).

<sup>39</sup> 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.

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 2023 financial year 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 remuneration policy and on compensation paid 2022" and "Information document relating to the Plan "2023 incentive system" based on 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](http://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 of 14 April 2022.

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](http://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 14 April 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 schemes for the most significant personnel, in 2023, Banco Desio allocated an expected expense of Euro 1.98 million substantially attributable to the 2023 Phantom Shares Plan and a lower expense of Euro 0.3 million substantially attributable to the 2022 Phantom Shares Plan (in 2022, an expected expense of Euro 1.87 million was allocated substantially attributable to the 2022 Phantom Shares Plan).

## PART M - LEASE DISCLOSURE

### SECTION 1 - LESSEE

#### **Qualitative information**

As required by IFRS 16 "Leases" Banco Desio assesses for contracts that confer the right to control the use of an identified asset (ref. IFRS 16.B9 and paragraphs B13-B20) for a certain period of time, over the period of use, if both of the following requirements are met:

- a) The right to obtain substantially all economic benefits from the use of the identified asset, as described in paragraphs B21-B23;
- b) The right to direct the use of the identified asset, as described in paragraphs B24-B30.

Consequently, when a lease is identified and the asset is made available for use by the lessee, the Bank recognises:

- a liability consisting of lease payments due (i.e. Lease Liability). This liability is initially recognised at the present value of future lease payments discounted at the interest rate implicit in the lease or, if that rate cannot be readily determined, at the lessee's incremental borrowing rate;
- an asset consisting of the right of use (i.e. RoU Asset). This asset is initially recognised as the sum of lease liability, initial direct costs, payments made on or before the effective date of the contract net of lease incentives received, and decommissioning costs.

These assets are recognised separately according to the type of assets identified, which in Banco Desio are represented exclusively by properties and cars.

Banco Desio has adopted some of the practical expedients and recognition exemptions provided for in IFRS16 "Leases":

- contracts with a value of the underlying asset of less than or equal to Euro 5,000 at the date of initial application are excluded (so-called low value assets);
- contracts with a total lease term of less than or equal to 12 months are excluded (so-called short-term assets);
- initial direct costs are excluded from the valuation of the RoU Asset at the date of initial application.

The estimated decommissioning costs are not taken into account for the purpose of determining the RoU Asset, as these costs are only to be considered at the effective date of the lease agreement.

With reference to the Lease term, Banco Desio has decided to consider only the first renewal period as reasonably certain for new contracts, unless there are contractual clauses that prohibit this, or, facts or circumstances that lead to additional renewals being considered or to the end of the lease contract. For contracts existing at the FTA date, a renewal period was added if the contract was in the first contractual period (i.e. the first renewal period had not yet expired), or if the contract was in a renewal period subsequent to the first one but the deadline for notice of termination had expired.

With reference to the rate for discounting future lease payments, Banco Desio has decided to use a single interest rate curve as the incremental borrowing rate, also considering a floor of 0% for maturities where rates are negative. This curve is based on a risk free rate (i.e. market interest rate) and a financing spread (i.e. tenant credit risk), and is amortising. Typically, the lease agreement does not provide for a single payment at maturity, but rather for a periodic payment of the lease instalments throughout the term of the contract, leading to a decreasing trend in the residual debt.

#### **Quantitative information**

With reference to the assets and liabilities related to lease agreements outstanding at 31 December 2023, the following balances are shown:

- a "RoU Asset" of Euro 53.9 million relating to properties and Euro 0.8 million relating to cars;
- a "Lease Liability" of Euro 55.2 million relating to properties and Euro 0.8 million relating to cars.

During the year, charges of Euro 11,587 thousand were recognised in connection with lease agreements, of which Euro 1,141 thousand was recognised under "Interest expense" and Euro 10,446 thousand under "Net value adjustments on tangible assets" as depreciation of the right of use.

It is noted, in particular, that the depreciation recognised in the income statement refers to:

- Euro 354 thousand for cars,
- Euro 10,092 thousand for properties.

The total costs for the year referring to lease agreements and not covered by IFRS 16 (so-called low-value assets and short-term assets) amounted to Euro 2,202 thousand.

With reference to the "Lease liability" recognised at 31 December 2023, amounting to a total of Euro 55,991 thousand, a breakdown of the liabilities by residual maturity date is provided below:

- Euro 10,209 thousand within 12 months;
- Euro 17,382 thousand from 1 to 3 years;
- Euro 13,512 thousand from 3 to 5 years;
- Euro 14,888 thousand over 5 years.



## SECTION 2 - LESSOR

### Qualitative information

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

### Quantitative information

#### 2.1 Classification by time band of payments to be received and reconciliation with loans for leases recorded under assets

|                                        | 31.12.2023                | 31.12.2022                |
|----------------------------------------|---------------------------|---------------------------|
| Time bands                             | Lease payments receivable | Lease payments receivable |
| Up to 1 year                           | 45,696                    | 40,187                    |
| Over 1 year to 2 years                 | 44,492                    | 35,065                    |
| Over 2 years to 3 years                | 33,701                    | 32,202                    |
| Over 3 years to 4 years                | 25,782                    | 25,494                    |
| Over 4 years to 5 years                | 13,599                    | 16,540                    |
| Over 5 years                           | 16,256                    | 27,377                    |
| <b>Total lease payments receivable</b> | <b>179,526</b>            | <b>176,865</b>            |
| <b>RECONCILIATION WITH FINANCING</b>   |                           |                           |
| Financial income not accrued (-)       | 13,195                    | 14,600                    |
| Unsecured residual value (-)           | -                         | -                         |
| <b>Loans for leases</b>                | <b>166,331</b>            | <b>162,265</b>            |

The table provides the classification by time bands of lease payments receivable and the reconciliation between lease payments receivable and lease financing, in accordance with IFRS 16, paragraph 94. It should be noted, in particular, that lease payments receivable, representing the sum of principal and interest payments due, are shown gross of adjustment provisions. The reconciliation with lease loans, shown in the financial statements as part of financial assets measured at amortised cost in Table 4.2 "Financial assets measured at amortised cost: breakdown of loans to customers", is carried out by subtracting non-accrued financial gains and value adjustments related to the same loans in the amount of Euro 11,922 thousand (Euro 11,238 thousand at the end of the comparison period).

**Certification of the Separate Financial Statements  
pursuant to Article 154-bis of Legislative Decree  
58/98**

**CERTIFICATION OF THE SEPARATE FINANCIAL STATEMENTS**  
**PURSUANT TO ARTICLE 154 BIS OF LEGISLATIVE DECREE 58/98**

1. The undersigned Alessandro Decio, Chief Executive Officer, and Mauro Walter Colombo, Financial Reporting Manager, of Banco di Desio e della Brianza S.p.A. certify, also taking into account the provisions of article 154-bis, paragraphs 3 and 4, of Legislative Decree No. 58 of 24 February 1998:

- the adequacy in relation to the characteristics of the company and
- the actual application of the administrative and accounting procedures for the preparation of the separate financial statements for 2023.

2. The assessment of the adequacy of the administrative and accounting procedures for the preparation of the separate financial statements at 31 December 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 separate financial statements:

- a. are prepared in compliance with the applicable international accounting standards endorsed by the European Community pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and Council, of 19 July 2002;
- b. correspond to the information contained in the accounting ledgers and records;
- c. provide a true and fair representation of the equity, economic and financial situation of the Company in question.

3.2 the report on operations contains a reliable analysis of the trend and results of operations, together with a description of the main risks and uncertainties to which the Bank is exposed.

*Desio, 29 February 2024*

Chief Executive Officer  
*Alessandro Decio*

Financial Reporting Manager  
*Mauro Walter Colombo*

## **Report of the Independent Auditors to the Annual Financial Statements**



KPMG S.p.A.  
Revisione e organizzazione contabile  
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(This independent auditors' report has been translated into English solely for the convenience of international readers. Accordingly, only the original Italian version is authoritative.)

## **Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014**

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

### **Report on the audit of the separate financial statements**

#### **Opinion**

We have audited the separate financial statements of Banco di Desio e della Brianza S.p.A. (the "bank"), which comprise the balance sheet as at 31 December 2023, the income statement and the statement of comprehensive income, statement of changes in equity and cash flows statement for the year then ended and notes thereto, which include material information on the accounting policies.

In our opinion, the separate financial statements give a true and fair view of the financial position of Banco di Desio e della Brianza S.p.A. as at 31 December 2023 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and article 43 of Legislative decree no. 136/15.

#### **Basis for opinion**

We conducted our audit in accordance with the International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the separate financial statements" section of our report. We are independent of the bank in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Key audit matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the separate financial statements of the current year. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KPMG S.p.A. è una società per azioni di diritto italiano e fa parte del network KPMG di entità indipendenti affiliate a KPMG International Limited, società di diritto inglese.

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Lecce Milano Napoli Novara  
Padova Palermo Parma Perugia  
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Trieste Varese Verona

Società per azioni  
Capitale sociale  
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Banco di Desio e della Brianza S.p.A.

Independent auditors' report

31 December 2023

**Classification and measurement of loans and receivables with customers recognised under financial assets at amortised cost**

Notes to the separate financial statements "Part A - Accounting policies": paragraph A.2.3 "Financial assets at amortised cost"

Notes to the separate financial statements "Part B - Information on the balance sheet - Assets": section 4 "Financial assets at amortised cost"

Notes to the separate financial statements "Part C - Information on the income statement": section 8.1 "Net value adjustments for credit risk related to financial assets measured at amortised cost: breakdown"

Notes to the separate financial statements "Part E - Information on risks and related hedging policies": section 1 "Credit risk"

| Key audit matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Audit procedures addressing the key audit matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Lending to customers is one of the bank's core activities. Loans and receivables with customers recognised under financial assets at amortised cost totalled €14,020 million at 31 December 2023, accounting for 76% of total assets.</p> <p>Net impairment losses on loans and receivables with customers recognised in profit or loss during the year totalled €57 million.</p> <p>For classification purposes, the directors make analyses that are sometimes complex in order to identify those positions that show both an increase in credit risk and evidence of impairment after disbursement. To this end, they consider both internal information about the performance of exposures and external information about the reference sector or the borrowers' overall exposure to banks.</p> <p>Measuring loans and receivables with customers is a complex activity, with a high degree of uncertainty and subjectivity, with respect to which the directors apply internal valuation models that consider many quantitative and qualitative factors, including historical collection flows, expected cash flows and related estimated collection dates, the existence of any indicators of impairment, an assessment of any guarantees, the impact of macroeconomic variables, future scenarios and risks of the sectors in which the bank's customers operate.</p> <p>The complexity of the directors' estimation process has been affected by the geopolitical uncertainties which have an impact on the current economic conditions and potential future macroeconomic scenarios and have severely affected the energy market, supply chains, inflationary pressure and its effect on monetary policies, leading central banks to raise interest rates in the main economies, and real estate market trends and indicators. This required the directors to revisit the valuation processes and methods.</p> | <p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>• gaining an understanding of the bank's processes and IT environment in relation to the disbursement, monitoring, classification and measurement of loans and receivables with customers;</li> <li>• assessing the design and implementation of controls and performing procedures to assess the operating effectiveness of material controls, especially in relation to the identification of exposures with indicators of impairment and the calculation of impairment losses;</li> <li>• analysing the classification criteria used for allocating loans and receivables with customers to the IFRS 9 categories (staging);</li> <li>• analysing the individual and collective impairment assessment policies and models used and checking the reasonableness of the main assumptions and variables included therein, as well as the adjustments made as a result of the financial effects of the geopolitical situation. We carried out these procedures with the assistance of experts of the KPMG network;</li> <li>• selecting a sample of exposures tested collectively, checking the application of the measurement models applied and checking that the impairment rates applied complied with those provided for in such models;</li> <li>• selecting a sample of exposures tested individually and checking the reasonableness of the indicators of impairment identified and of the assumptions about their recoverability, including considering the guarantees received;</li> <li>• analysing the significant changes in the loan and receivable categories and in the related impairment rates compared to the previous years' figures and</li> </ul> |





Banco di Desio e della Brianza S.p.A.  
Independent auditors' report  
31 December 2023

| Key audit matter                                                                                                                                                                              | Audit procedures addressing the key audit matter                                                                                                                                                                                                                                  |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| For the above reasons, we believe that the classification and measurement of loans and receivables with customers recognised under financial assets at amortised cost are a key audit matter. | <p>discussing the results with the relevant internal departments;</p> <ul style="list-style-type: none"> <li>assessing the appropriateness of the disclosures about loans and receivables with customers recognised under financial assets measured at amortised cost.</li> </ul> |

#### **Classification and measurement of financial assets at fair value levels 2 and 3**

*Notes to the separate financial statements "Part A – Accounting policies": paragraphs A.2.1 "Financial assets measured at fair value through profit or loss", A.2.2 "Financial assets measured at fair value through other comprehensive income", A.2.4 "Hedging transactions" and A.4 "Information on fair value"*

*Notes to the separate financial statements "Part B - Information on the balance sheet - Assets": sections 2 "Financial assets at fair value through profit or loss", 3 "Financial assets at fair value through other comprehensive income" and 5 "Hedging derivatives"*

*Notes to the separate financial statements "Part C - Information on the income statement": sections 4 "Net trading result", 5 "Net hedging result" and 7 "Net result of other financial assets and liabilities at fair value through profit or loss"*

*Notes to the separate financial statements "Part E - Information on risks and related hedging policies": sections 2 "Market risk" and 3 "Derivative instruments and related hedging policies"*

| Key audit matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Audit procedures addressing the key audit matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Trading in and holding financial instruments are two of the bank's core activities. The separate financial statements at 31 December 2023 include financial assets at fair value of €1,016 million.</p> <p>A portion thereof, equal to €159 million, is made up of financial assets at fair value without a quoted price on an active market. The bank's directors have classified them in levels 2 and 3 of the fair value hierarchy.</p> <p>Classifying and, especially, measuring fair value levels 2 and 3 financial instruments require a high level of judgement given the complexity of the models and parameters used.</p> <p>The complexity of the above procedure has also been affected by the geopolitical uncertainties and the related effects on the main economic and financial variables.</p> <p>For the above reasons, we believe that the classification and measurement of financial assets at fair value levels 2 and 3 are a key audit matter.</p> | <p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>gaining an understanding of the bank's processes and IT environment in relation to the trading, classification and measurement of financial instruments;</li> <li>assessing the design and implementation of controls and performing procedures to assess the operating effectiveness of material controls, especially in relation to the classification and measurement of financial instruments with fair value levels 2 and 3, also in the light of the financial effects of geopolitical situation;</li> <li>checking, on a sample basis, that the financial instruments had been correctly classified on the basis of their fair value level;</li> <li>for a sample of financial instruments with fair value levels 2 and 3, assessing the reasonableness of the parameters used by the directors for their measurement, also in the light of the financial effects of the geopolitical situation; we carried out these procedures with the assistance of experts of the KPMG network;</li> </ul> |



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

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31 December 2023

| Key audit matter | Audit procedures addressing the key audit matter                                                                                                                                                                                                                                                                                                            |
|------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                  | <ul style="list-style-type: none"> <li>analysing the changes in the composition of the financial instrument portfolios compared to the previous year end and discussing the results with the relevant internal departments;</li> <li>assessing the appropriateness of the disclosures about financial instruments and related fair value levels.</li> </ul> |

**Recognition of the business combination of the two business units acquired from the BPER Group and assessment of the purchase price allocation**

Notes to the separate financial statements "Part A - Accounting policies": paragraph A.2.15 "Other information - Business combinations transactions: purchase price allocation"

Notes to the separate financial statements "Part G - Business combinations involving businesses or business units": section 1 "Transactions realised during the year"

| Key audit matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Audit procedures addressing the key audit matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>In 2023, the bank acquired two business units, comprising a total of 48 bank branches (located in Liguria, Emilia-Romagna, Lazio, Tuscany and Sardinia), from the BPER Group for €3.3 million (the "transaction").</p> <p>Since this is a business combination, the bank's directors accounted for it in accordance with IFRS 3 and, therefore, they identified the acquisition date, calculated the purchase price and allocated it (purchase price allocation, or "PPA").</p> <p>The PPA procedure gave rise to a post-tax gain from a bargain purchase (negative goodwill) of €51 million, i.e., the difference between the consideration transferred in the business combination and the fair value of the assets acquired and liabilities assumed, which is recognised in the separate financial statements at 31 December 2023.</p> <p>Due to the materiality of the transaction and considering that the PPA procedure required a high level of judgement of the bank's directors, we believe that the recognition of the above business combination is a key audit matter.</p> | <p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>analysing the contract documents relating to the transaction;</li> <li>checking the consistency of the accounting treatment applied by the bank to the transaction with the IFRS;</li> <li>checking, on a sample basis, the accuracy of the accounting records;</li> <li>analysing the valuation approach, assumptions and methods used to measure the acquisition-date fair value of the assets acquired and liabilities assumed, with specific reference to loans and receivables with customers and banks, previously-unrecognised intangible assets, property and equipment and amounts due to banks and customers. We carried out these procedures with the assistance of experts of the KPMG network;</li> <li>checking the tax treatment of the differences between the fair value and carrying amount of the assets acquired and liabilities assumed. We carried out these procedures with the assistance of experts of the KPMG network;</li> <li>assessing the appropriateness of the disclosures about the above business combination.</li> </ul> |





Banco di Desio e della Brianza S.p.A.  
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31 December 2023

### ***Responsibilities of the bank's directors and board of statutory auditors ("Collegio Sindacale") for the separate financial statements***

The directors are responsible for the preparation of separate financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and article 43 of Legislative decree no. 136/15 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the bank's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the separate financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the bank or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the bank's financial reporting process.

### ***Auditors' responsibilities for the audit of the separate financial statements***

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the bank's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our



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

*Independent auditors' report*

*31 December 2023*

auditors' report. However, future events or conditions may cause the bank to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the measures taken to eliminate those threats or the safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current year and are, therefore, the key audit matters. We describe these matters in this report.

#### *Other information required by article 10 of Regulation (EU) no. 537/14*

On 23 April 2020, the bank's shareholders appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2021 to 31 December 2029.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the bank in conducting the statutory audit.

We confirm that the opinion on the separate financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

## **Report on other legal and regulatory requirements**

### *Opinion on the compliance with the provisions of Commission Delegated Regulation (EU) 2019/815*

The bank's directors are responsible for the application of the provisions of Commission Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (ESEF) to the separate financial statements at 31 December 2023 to be included in the annual financial report.

We have performed the procedures required by Standard on Auditing (SA Italia) 700B in order to express an opinion on the compliance of the separate financial statements with Commission Delegated Regulation (EU) 2019/815.

In our opinion, the separate financial statements at 31 December 2023 have been prepared in XHTML format in compliance with the provisions of Commission Delegated Regulation (EU) 2019/815.



Banco di Desio e della Brianza S.p.A.  
Independent auditors' report  
31 December 2023

***Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98***

The bank's directors are responsible for the preparation of the reports on operations and on corporate governance and ownership structure at 31 December 2023 and for the consistency of such reports with the related separate financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the report on operations and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the bank's separate financial statements at 31 December 2023 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the report on operations and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the bank's separate financial statements at 31 December 2023 and have been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Milan, 22 March 2024

KPMG S.p.A.

(signed on the original)

Alessandro Nespoli  
Director of Audit

## **Report of the Board of Statutory Auditors**

**REPORT OF THE BOARD OF STATUTORY AUDITORS  
TO THE SHAREHOLDERS' MEETING OF BANCO DI DESIO E DELLA BRIANZA SPA  
FOR THE FINANCIAL YEAR ENDING 31 December 2023**

Shareholders,

pursuant to Article 153 of Legislative Decree No. 58 of 24 February 1998, we hereby present this Report to inform you of the supervisory and control activities carried out during the financial year ended with the financial statements as at 31 December 2023, financial statements that are presented to you together with the Report on Operations and information documents that adequately illustrate the performance of Banco di Desio della Brianza S.p.A. (hereinafter also referred to as "the Bank") and its subsidiaries, with the balance sheet, income statement, financial data and results achieved.

The Board of Statutory Auditors in office at the date of this Report was appointed by the Shareholders' Meeting of 27 April 2023, as part of the renewal of Corporate Bodies, and its term of office will come to end with the Shareholders' Meeting called to approve the financial statements as at 31 December 2025. With regard to the audit of the accounts and financial statements, we would like to remind you that this task was carried out by the auditing firm KPMG S.p.A. (hereinafter also "KPMG" or "the Independent Auditors"), whose engagement for the legal audit pursuant to Legislative Decree No. 58/1998 and Legislative Decree No. 39/2010, for the financial years 2021-2029, had been conferred by the Ordinary Shareholders' Meeting of 23 April 2020 and, again on the basis of a reasoned proposal of the Board of Statutory Auditors, the fee for the audit assignment was adjusted in relation to the additional fees to be paid to the Independent Auditors with reference to the acquisition of the branch of bank counters from BPER Banca so-called Lanternina Transaction (Ordinary Meeting of 27 April 2023).

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The Board of Statutory Auditors performed its institutional duties in accordance with the provisions of the Italian Civil Code, Legislative Decrees No. 385/1993 (Consolidated Law on Banking), No. 58/1998 (Consolidated Law on Finance) and No. 39/2010, the Articles of Association and the rules issued by public authorities exercising supervisory and control activities, also taking into consideration the provisions of the Corporate Governance Code for Listed Companies, as well as the principles of conduct recommended by the National Institute of Chartered Accountants and Accounting Experts.

In giving you an account of the performance, up to the date of preparation of this Report, of the institutional activities for which we are responsible, we point out that we have:

- attended the Shareholders' Meetings, the meetings of the Board of Directors and the Executive Committee as well as the Board Committees (i.e. Risk Control Committee<sup>1</sup>, Sustainability Committee, Related and Connected Party Transactions Committee, Appointments Committee and Remuneration Committee) and obtained, in compliance with the provisions of the law and the Articles of Association, exhaustive information on the activities carried out and on the most significant transactions performed by the Bank and its subsidiaries;
- obtained the information necessary to assess compliance with the law and the Articles of Association, compliance with the principles of proper administration as well as the functionality and adequacy of the Bank's organisational structure and the internal control and administrative-accounting systems, through direct investigations and the collection of data and information from the Heads of the main corporate functions concerned as well as from the Independent Auditors;
- carried out our audits on the internal control and risk management system, availing ourselves of the assiduous presence in our works of the Financial Reporting Manager, the Heads of the Internal Audit and Risk Management Departments and the Heads of the Compliance, Anti-Money Laundering and Internal Validation Offices, who thus ensured the necessary exchange of information on how their

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<sup>1</sup>In terms of governance structure, the year 2023 was characterised by the demerger of the pre-existing Risk Control and Sustainability Committee ("CCRS") into two specialised committees, the Risk Control Committee ("CCR") and the Sustainability Committee ("COS").

respective institutional control tasks were carried out, as well as on the results of their respective activities;

- carried out the necessary checks on the adequacy of the instructions given to the subsidiaries, also pursuant to Article 114, paragraph 2 of Legislative Decree No. 58/1998;
- verified compliance with the laws and regulations concerning the process of drawing up, the approach and the financial statements for the 2023 financial year, as well as compliance with the laws and regulations in force and consistency with the resolutions adopted by the Board of Directors;
- noted that Law No. 238/2021 (European Law 2019-2020) has, inter alia, amended Article 154-ter of Legislative Decree No. 58/98 by inserting two new paragraphs effective as of 1 February 2022. In particular, the new paragraph 1.1 indicates that the Directors shall see to the application of the provisions of Delegated Regulation (EU) 2019/815 of the European Commission ("ESEF Regulation" - European Single Electronic Format) on technical standards relating to the specification of the single electronic disclosure format (ESEF) of the annual financial reports to be published by issuers in accordance with paragraph 1 of the same article, while the new paragraph 1.2 defines the responsibilities of the statutory auditor;
- carried out supervisory activities in the various profiles provided for in Article 19 of Legislative Decree No. 39/2010 as the Internal Control and Auditing Committee;
- received on 22 March 2024 from the Independent Auditors the additional report pursuant to Article 11 of Regulation (EU) No. 537/2014, which the Board of Statutory Auditors shall at the same time forward to the Chairman of the Board of Directors without any observations;
- received on 22 March 2024 from the Independent Auditors, pursuant to Article 6, paragraph 2, letter a) of Regulation (EU) No. 537/2014, confirmation of its independence as well as an indication of the fees for any non-audit services provided to the Bank by the same or by entities belonging to its network, after discussion with the same on the risks relating to its independence as well as on the measures taken to limit such risks, also limiting non-audit engagements. To support its investigations on the subject of the independence of the Independent Auditors, the Board of Statutory Auditors, as is now standard practice, also acquired the assessments of the Compliance and Internal Audit Functions, to the extent of related competence;
- monitored the concrete implementation of the corporate governance rules set forth in the current edition of the Corporate Governance Code for Listed Companies promoted by Borsa Italiana S.p.A. The Recommendations formulated by the Chairman of the Corporate Governance Committee in a letter dated 14 December 2023 were brought to the attention of the Chairman of the Board of Directors as well as the Chief Executive Officer and the Chairman of the Board of Statutory Auditors by the Bank's Corporate Affairs Department. We have reviewed the contents of the letter dated 22 January 2024 and noted that the Recommendations have been taken into account in the Report on Corporate Governance and Ownership Structure, where the usual summary table has also been prepared as an annex. The Recommendations were also considered in the self-assessment. We also took into account that, on 31 January 2020, the new Corporate Governance Code was issued, whose substantial changes follow four fundamental guidelines: sustainability, engagement, proportionality, simplification. The companies that adopted the Code applied it from the first financial year beginning after 31 December 2020, informing the market most recently in the Corporate Governance Report to be published in 2024 (at the same time as this Report); we recall that on 19 November 2020, the Board of Directors had resolved to adopt the new Code in full:
  - within the scope of the recommendations applicable to "non-large" and "concentrated ownership" companies<sup>2</sup>;
  - in compliance with the Supervisory Provisions applicable to listed banks insofar as they are equated to "larger banks" pursuant to Circular No. 285, as of 1 January 2021, notwithstanding that the recommendations relating to independence criteria will have to be applied at the same time as the independence requirements set forth in the aforementioned MEF Regulation

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<sup>2</sup> The respective definitions are given: "**large company**" means a company whose capitalisation exceeded Euro 1 billion on the last trading day of each of the three preceding calendar years; "**concentrated ownership company**" means a company in which one or more shareholders participating in a shareholders' voting agreement hold, directly or indirectly (through subsidiaries, trustees or third parties), a majority of the votes exercisable at the ordinary shareholders' meeting.



pursuant to Article 26 of the Consolidated Law on Banking in order to ensure the consistency of the system at the time of the next renewal of corporate offices (aforementioned Meeting of 27 April 2023);

- monitored compliance with the Internal Regulation on Transactions with "Connected Parties" of transactions carried out directly or through subsidiaries, pursuant to Consob Regulation No. 17221 of 12 March 2010, as amended, and the Supervisory Provisions issued by the Bank of Italy pursuant to Article 53 of the Consolidated Law on Banking, as well as compliance with the Regulation and the Provisions on compliance with Article 136 of the Consolidated Law on Banking;
- ascertained, on the basis of the declarations made by the individual Directors and the collective assessments made by the Board of Directors, that the criteria and procedures adopted by the latter to assess the independence of its members were correctly applied.

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The functions of Supervisory Board pursuant to Legislative Decree No. 231/2001 ("SB") are assigned by the Articles of Association (Article 26) to the Board of Statutory Auditors.

We therefore deem it appropriate to report to you, on the basis of this assignment of tasks, the main activities carried out during the 17 meetings held in the 2023 financial year by the Supervisory Board.

We supervised the operation of and compliance with the Organisational and Management Model adopted pursuant to Legislative Decree No. 231/2001 ("OMM 231") and reported to the Board of Directors on a half-yearly basis on the monitoring and verification activities performed and their results.

During the course of 2023, the SB received the required six-monthly reports from all the Functions involved, from which it emerged that the OMM was being complied with and was adequate, and no reports of violations thereof were found. For reports from the whistleblowing system, please refer to the relevant section.

It is worth mentioning the activities to update the OMC 231 carried out in the year 2021 following regulatory and organisational changes and an assessment that led to the streamlining and simplification of the model itself, rearticulating the protocols by risks' rather than by "functions" (including the risks inherent in emergency legislation also from the AML standpoint) and also pursuing greater uniformity of conduct between Functions, especially in relations with the Authorities.

In 2023, the activity of constantly updating the OMC 231 continued in the face of new legislation that came into force and affected existing predicate offences or introduced new offences. In addition, the provisions of Legislative Decree 24/2023 (on the protection of persons who report breaches of regulations) led to the amendment of the General Part of the OMC 231, as the decree repealed the protections for whistleblowers contained in Legislative Decree 231/2001 (Art. 6, paragraphs 2-ter and 2-quater) that have been transposed in the aforementioned new provision.

It should be recalled that in a context of further progressive attenuation of the phenomena related to the epidemiological emergency, the Board of Statutory Auditors, also in its capacity as Supervisory Board, has nevertheless continued to pay attention to issues related to the residual implications of some of the emergency measures implemented during the pandemic, receiving information and updates from the various corporate Structures.

With reference to the transactions on tax credits already covered in the previous Report, also in consideration of the rulings of the judicial authorities that have progressively taken place, the Board of Statutory Auditors, also in its capacity as SB, has continued to call upon the Functions to closely monitor the entire sector of the transfer of such credits from the primary market (since the Bank's operations on the secondary market are still prudentially blocked), also for the purpose of intercepting the associated risks, and recommended maintaining "reinforced" internal procedures and controls (anti-money laundering and anti-fraud) in view of the risks of various kinds potentially inherent in such specific operations.

The Board noted that, as represented in the financial statements documentation, the amount of ecobonus/seismbonus tax credits purchased takes into account the updated assessment of the potential risk to which Banco Desio could be exposed following the preventive seizure of tax credits purchased over time (primary and secondary market) for a total of Euro 44.2 million, including the impossibility of offsetting

them, for those that will be ascertained to be cases of fraud. In consideration of the position taken by the jurisprudence<sup>3</sup> as to the non-usability of the tax credit due to conduct unrelated to the transferee, of the new information acquired on the status of the investigations by the Public Prosecutor's Office, and of the legal and technical analysis conducted, the Bank deemed it appropriate<sup>4</sup> to cautiously increase the overall allocation to a total of Euro 31.2 million, recognising an additional expense of Euro 18.7 million in the item "Other operating expenses/income" in the income statement<sup>5</sup>

The Board, including as SB, also drew the attention of the FAC (in a coordinated manner and, first and foremost, by the Anti-Money Laundering Office) to the specific monitoring of customers who, with the support of the Bank, requested access to PNRR (national recovery and resilience plan) funds (where cases of use of funds to the detriment of both the State and the European Union might emerge), also through a targeted verification, carried out by the Anti-Money Laundering Function, from which no particular critical issues emerged.

The Board also continued to focus the attention of the Bank's structures on monitoring the loan portfolio granted under the Liquidity Decree and the status of repayments and enforcement, with a view to the prudential management of credit risk, always bearing in mind other risks, particularly in the area of anti-money laundering (especially in the case of transactions guaranteed and/or facilitated by the public sector).

More generally, in adherence to the principles of prudence called for by the Supervisory Authority (Bank of Italy Communication of 29 September 2023 addressed to Less Significant Institutions "LSI") in the area of: (i) credit valuation and related guarantees (especially real estate); (ii) financial investment policies (especially if "illiquid") and related valuation mechanisms, the Board of Statutory Auditors, with a view to constantly monitoring the adequacy of the active control measures with respect to these aspects of attention raised by the Supervisory Authority, has defined an autonomous control plan divided into macro-areas to supplement the 2023 plan, with additional checks also for the financial year 2024.

The Board also continued to pay attention to the risks potentially inherent in the start-up of new operations, especially in the credit sector, focusing in particular on the need to implement, where not already fully formalised, the processes for their regulation and to invest in training activities for dedicated resources.

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We provide below the specific details required by Consob Communication No. 1025564 of 6 April 2001 and subsequent updates.

### **Transactions of greatest economic, financial and capital significance**

Through our participation in the meetings of the Board of Directors, the Executive Committee and the Board Committees, we obtained adequate information on the activities carried out and on the transactions of greatest economic, financial and capital significance carried out during the 2023 financial year, of which we have provided extensive information in the Report on Operations.

On the basis of the information received and as a result of the analyses conducted, it emerged that the initiatives and transactions of greatest economic, financial and capital significance that concerned the Bank consisted essentially of the following:

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<sup>3</sup> The Court of Cassation, through a number of rulings made during the year 2022, confirmed the reconstruction postulated by the Public Prosecutor's Office, recognising the legitimacy of the seizure orders due to the non-existence of the claims subject to the precautionary measure

<sup>4</sup> In relation to the possibility that, for what will be ascertained to be cases of fraud, the liability of the transferee, even if a bona fide third party or party to the offence, may also be called upon for hypotheses other than the possible irregular use of the tax credit or for use to a greater extent than the tax credit received.

<sup>5</sup> The assessment of the aforementioned risks necessarily required the application of a significant degree of professional judgement, the main elements of uncertainty of which are attributable to the outcome of the proceedings underway, the identification of the receivables the deductions of which have been assigned are effectively non-existent and the outcome of the initiatives that will be activated by Banco Desio to recover the amounts paid to the entities with respect to which cases of fraud have been ascertained.



#### 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") from 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.

On several occasions, the Board of Statutory Auditors explored the different impacts of the Lanternina transaction, focusing on the aspects of integration into the business processes of the acquired branches, paying particular attention to anti-money laundering profiles.

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

On 28 March 2023, having obtained the necessary authorisations from the competent authorities, the Bank 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 two 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 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.

The Board of Statutory Auditors dedicated special attention to the aforementioned extraordinary transactions "Lanternina" and "Aquarius", both from an administrative, accounting and tax point of view, within the framework of joint meetings with the CCR, and with reference to the consultancy tasks assigned in relation to the same transactions, on which the Board of Statutory Auditors requested ad hoc checks from the Internal Audit Function in order to ascertain the absence of potential situations of incompatibility and/or conflicts of interest.

#### 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.

#### Shareholders' meeting resolutions: 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 same 39th update of Bank of Italy Circular No. 285, inserting the clarification that Banco Desio, 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.

#### 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, including some governance issues that are also relevant to the work of the Board of Statutory Auditors. (ref. also paragraph "AIRB internal credit risk measurement system").

#### 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.

The agreement was duly executed in the following months.

#### 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 (ref. also paragraph "Opinions issued by the Board of Statutory Auditors").

#### Issuance of Covered Bonds for institutional investors

On 5 September 2023, Banco Desio successfully completed the placement of a Covered Bond issue under its Guaranteed Bank Bonds programme (OBG, rated AA by Fitch) for a total amount of Euro 400 million with a maturity of 4.5 years intended for institutional investors.

This is the first European Covered Bond (Premium) issue realised by Banco Desio in compliance with the new European directive implemented in Italy on 30 March 2023.

The transaction allows the completion of the 2023 Banco Desio Funding Plan by expanding access to the wholesale funding market in several jurisdictions (ref. also paragraph "Opinions issued by the Board of Statutory Auditors").

#### MREL Decision

On 18 September 2023, Banco Desio received notification from the Bank of Italy of its decision on the Minimum Requirement for own funds and Eligible Liabilities (MREL).

The Banco Desio Group, on a consolidated basis, will have to comply with the following requirements:

- MREL in terms of TREA (Total Risk Exposure Amount) of 17.50% (excluding the CBR Combined Buffer Requirement);
- MREL in terms of LRE (Leverage Ratio Exposure) of 5.32%.

The Supervisory Authority has defined a 3-year transitional period for the entry into force of the mentioned binding requirements. No additional subordination requirements were attached.

#### Inspections

On 20 September 2023, the Bank of Italy commenced two inspections at Banco Desio, concerning "Compliance with regulations on combating money laundering and terrorist financing" and "Governance and control structures of relevant processes with a view to safeguarding customers"; the Report on Operations states that the aforementioned inspections were still in progress at the date of approval of the draft financial statements (29 February 2024) and that the Supervisory Authority was awaiting the transmission of the inspection reports.

We acknowledge that on 19 March 2024, the Bank of Italy presented to the Board of Directors of Banco Desio the results of the inspections on banking transparency, for which a remedial plan has been requested and which could also entail restitution obligations to customers, which are currently being examined. The Board of Statutory Auditors will monitor the timeliness and punctuality of the Bank's actions in relation to the remedies required by the Supervisory Authority, including in the context of the proceedings initiated by the latter.

#### Supervisory Authority Inspection Activities

In addition, the Board of Statutory Auditors constantly monitored the related activities, particularly with regard to aspects within its remit:

- (i) the inspection audit carried out in 2021 and aimed at assessing compliance with anti-money laundering regulations by monitoring the progressive progress of the action plan prepared by the Bank to strengthen its controls, which was completed;
- (ii) the AIRB inspection (which took place between November 2022 and January 2023) aimed at assessing the robustness of the methodological choices adopted in the development of internal rating models and compliance with reference regulatory requirements, which concluded with the receipt of the administrative authorisation order of 24 May, which made any capital benefits conditional on a series of remedial actions to be completed within 18 months, including, as mentioned, certain governance issues also relating to the activities of the Board of Statutory Auditors. (ref. also paragraph "AIRB internal credit risk measurement system").

#### Other activities of the Supervisory Authorities

During the course of 2023, the Board of Statutory Auditors examined the communications received from the Supervisory Authority and the related answers prepared by the relevant Functions, in particular the FACs.

As part of the Supervisory requests regarding the governance and organisation of the internal control system of May 2022, which was followed by an overall assessment of the Group's internal control structure carried out with the contribution of a leading consultancy firm, the Board also in the 2023 financial year, was still strongly committed to monitoring the implementation of the intervention plan that followed, periodically reporting to the Supervisory Authority, most recently with a letter dated 24 January 2024. The activities on the plan, now fully completed from a structural point of view, will still be subject to periodic verification from a performance point of view upon input from the Board itself.

The Board also recommended, to the extent necessary, continuing to strengthen the Internal Control System in line with the evolution of strategic initiatives, confirming its commitment also directly in the monitoring of the measures put in place.

We note that on 21 March 2024, the Bank of Italy received the customary notice of initiation of the "Capital Decision" procedure (so-called SREP).

#### Extraordinary tax calculated on the increase in the interest margin

The extraordinary tax calculated on the increase in interest margin, as provided for by Decree Law No. 104 of 10 August 2023 converted with amendments by Law No. 136 of 9 October 2023, for Banco Desio and the Group amounts to approximately Euro 18.6 million.

The Board of Directors of the Parent Company, meeting on 9 November 2023, resolved to propose to the Meeting, when approving the draft financial statements for the 2023 financial year, to allocate an amount of at least Euro 46.6 million to the non-distributable reserve, corresponding to Euro 2.5 times the amount of the tax of approximately 18.6 million, in place of the payment of this tax, making use of the option provided for by the aforementioned provision.

#### New receivables securitisation of the subsidiary Fides

On 6 November 2023, the subsidiary Fides announced that it had carried out a private securitisation transaction of receivables mainly deriving from salary-backed loans.

The private transaction was structured pursuant to Law 130/1999 through the issuance of "partly paid" securities for a maximum amount of Euro 360 million and envisages a ramp-up period of one year, during which other portfolios deriving from loans of the same nature originated by Fides will be assigned. The initial portfolio of the transaction has a nominal value of Euro 267 million.

#### 2024-2026 Business Plan "Beyond 26"

On 23 November 2023, the Board of Directors approved the 2024-2026 Business Plan with which Banco Desio aims to become the best proximity bank in Italy through innovation, digital, application of ESG criteria and proximity to customers.

The strategic pillars are the optimisation of the commercial bank and the creation of growth opportunities through specialisation in the Small Business and POE segment, Wealth Management and Personal Finance. The main targets of the Plan include, inter alia:

- CET1 above 15% in 2026;
- Risk profile constantly under control with Gross NPL Ratio below 4% over the Plan;
- Prudent liquidity profile, LCR higher than 150% in 2026.

#### The plan to integrate E(SG) factors into the decision-making system

During the year under review, project activities continued on the programme for the progressive interaction of sustainability factors in the Banco Desio decision-making system, which was launched at the

beginning of 2022 with the establishment of an E(SG) Working Group, comprising the heads of all company departments, which drew up an action plan, in line with the expectations of the National and European Supervisory Authorities published on the subject, aimed at, among other things:

- *Ensuring the gradual compliance of climate-environmental risk management practices* with the expectations defined by national and European supervisory authorities;
- *Publishing integrated sustainability reporting*, in line with the requirements defined by the European Commission on non-financial climate-related disclosure.

During the reporting period, the Plan was enriched and refined with additional initiatives in line with the targets of the new Business Plan mentioned above, among others:

- *Control system*, aimed at ensuring the progressive integration of ESG factors into the governance and internal control and risk management system (risk management framework, compliance framework and internal audit framework);
- *Public disclosure*, aimed at the publication of sustainability reporting in accordance with the evolving regulatory requirements with regard to reporting on the alignment of activities to the EU Taxonomy (EU Regulation 2020/852) and the preparation of integrated sustainability reporting in accordance with the CSRD Directive (EU Directive 2022/2464) from the financial year 2024;
- *ICT processes and systems*, aimed at enabling commercial, financial, credit, risk management, financial and non-financial reporting business processes in consideration of E(SG) information and normative-regulatory evolutions.

In the continuation of the project activities, the qualifying aspects that emerged from the ongoing dialogue with the National Supervisory Authority will be valorised, which has led, among other things, to the publication of the main results of the analysis of the action plans developed by LSI and non-banking intermediaries for the progressive integration of climate and environmental risks into corporate strategies, governance and internal control and risk management systems (risk management framework, compliance framework and internal audit framework).

#### *Binding agreements signed for entry into the share capital of Dynamica Retail S.p.A.*

On 30 January 2024, Banco Desio announced that it had signed a sale and purchase agreement and an investment agreement with the shareholders of Dynamica Retail S.p.A. ("Dynamica" or "Company"), a company active in the provision of salary-backed loans to private customers, concerning the Banco Desio entry into the share capital of Dynamica through the purchase of the majority of the share capital and the subscription of a capital increase reserved for Banco Desio.

Upon completion of the Transaction, the execution of which is conditional upon, inter alia, obtaining authorisation from the Bank of Italy, Banco Desio will hold a stake of no less than 80% of the Company's share capital, which will therefore become part of the consolidated supervisory perimeter, so that management and coordination mechanisms similar to those already in place for Fides S.p.A. will be implemented.

#### *Transaction DESIO SME*

On 12 February 2024, the sale was finalised for consideration, en bloc and without recourse, of a portfolio of receivables arising from loans to Italian SMEs that are mortgage-backed, unsecured and, in part, guaranteed by Medio Credito Centrale, disbursed by Banco di Desio e della Brianza.

#### **Atypical and/or unusual transactions, intra-group or with related parties/connected parties**

There were no atypical and/or unusual transactions during 2023.

Intra-group transactions and other transactions of an ordinary nature with related parties/connected parties, pursuant to Article 2391-bis of the Italian Civil Code and Article 53 of the Consolidated Law on Banking, as well as transactions with bank representatives pursuant to Article 136 of the Consolidated Law on Banking, have always been specifically analysed by the Related Party Transactions Committee and the Board of Directors.

In the Report on Operations and in the Notes to the Financial Statements, the Board of Directors has

adequately reported and illustrated, describing their characteristics, the main transactions with third parties, intra-group and related parties, whose compliance with the law and internal regulations in force from time to time has been verified.

As for the above transactions, having examined their legitimacy and reasonableness within the Related Party Transactions Committee, we can certify that they are based on correct economic, financial and accounting principles.

The issue of the Subordinated Tier 2 Bond in the amount of Euro 60 million, described in the section "Transactions of greatest economic, financial and capital significance" is worth noting as a transaction of this kind that took place in 2023.

#### **AIRB internal credit risk measurement system**

With reference to the project aimed at authorising the use for prudential purposes of the internal AIRB credit risk measurement system - the Board of Statutory Auditors was involved, to the extent of its competence, in the validation process and, as mentioned, in the course of 2023, it closely followed the developments and outcomes of the validation inspection communicated with the authorisation order of 24 May 2023 that postponed and conditioned any capital benefits to the adoption of remedial measures so-called preliminary (pertaining to the Governance Frameworks and the Validation Function) to be completed within 18 months from the receipt of the order and on the effectiveness of which the Supervisory Authority requested a 12-month observation period from the Internal Audit Function.

The Board of Statutory Auditors is therefore strongly committed to monitoring the implementation of these preliminary strengthening measures, which the Bank already addressed in the second half of 2023, and which have allowed the observation period to begin in November 2023, while assessing their appropriateness, to the extent of its competence.

In particular, the Board has:

- (i) assessed favourably the revision in a reinforcing sense and, according to the Supervisory Authority's expectations, of the Validation Framework and, in this context, it also noted, considering it overall balanced, the new structure defined for the demarcation of roles and responsibilities between Control Functions in the performance of AIRB activities; an issue also raised by the Supervisory Authority within the governance findings;
- (ii) positively noted the revisions to the contractual framework defined with the outsourcer and aimed at overcoming the governance deficiencies identified by the Supervisory Authority;
- (iii) in-depth scope of work and economics of the new assignment conferred on the consultant in relation to the project management and benchmarking activities envisaged for the adaptation of the models, also acquiring specific notes from the Risk Management, Compliance and Internal Audit Functions for the purposes of a complete preliminary investigation.

#### **Complaints pursuant to Article 2408 of the Italian Civil Code**

Please note that during the 2023 financial year, we were not the recipient of any complaints pursuant to Article 2408 of the Italian Civil Code.

#### **Other notifications - statements - complaints**

For the sake of completeness, we would like to inform you that all complaints received by the Bank during 2023 from customers (a total of 815, of which 23 related to investment services) were duly examined by the Complaints Office, which took the necessary steps; of these complaints, 519 were rejected, 227 were upheld and 69 were still being dealt with as at 31 December 2023. As at 8/3/2024, 246 complaints had been upheld and 569 rejected.

In addition, 69 requests for information received from the Bank of Italy in respect of complaints submitted by customers to the same Supervisory Authority were duly dealt with.

#### **Independent Auditors' Reports as required by law**

With reference to the annual financial statements and consolidated financial statements for the year ended 31 December 2023, the Independent Auditors issued on 22 March 2024:

- to the Board of Statutory Auditors, the Additional Report for the Internal Control and Audit Committee

(so-called "Additional Report") required by Article 11 of Regulation (EU) No. 537/2014, from which no significant deficiencies of the internal control system in relation to the financial reporting process were found; the absence of "non-significant" deficiencies and/or areas for potential improvement is also noted (no letter of suggestions addressed to management was issued).

- to the Bank, the reports required by Article 14 of Legislative Decree No. 39/2010 and Article 10 of Regulation (EU) No. 537/2014, with reference to both the separate financial statements and the consolidated financial statements for the year ended 31 December 2023, without any exceptions, remarks or requests for information, also including the opinion on the conformity and consistency of the Report on Operations required by Article 14, paragraph 2, letter e), of the same Legislative Decree.

It is noted that on 22 March 2024, we sent the aforementioned Additional Report to the Board of Directors without making any comments.

#### **Assignment of additional engagements to the Independent Auditors and other connected parties and related costs**

The following engagements were conferred for non-audit services after the Board of Statutory Auditors' assessment of independence.

i. Audit-related engagements:

- in October 2023, KPMG S.p.A. was appointed for the Pool Audit activity (in accordance with ISRS 4400 - International Standard on Related Services No. 4400 applicable to "agreed upon procedures" work) relating to the securitisation carried out by the subsidiary Fides S.p.A., the fees for which were set at Euro 23,000 + VAT for the audits necessary to ensure the compliance of the transaction with the requirements defined in Article 22 (2) of Regulation (EU) 2402/2017 (STS criteria) and the EBA Final STS Guidelines;
- in November 2023, KPMG S.p.A. was engaged to audit (in accordance with ISA 805 (Revised) - Special Consideration - Audit of Single Financial Statements and specific elements, account or items of a financial statement) the statement of expenses incurred in 2022 by Banco di Desio e della Brianza S.p.A. for research and development, technological innovation and design activities, the fees for which were determined to be Euro 12,000 + VAT for the purposes set forth in Article 1, paragraphs 200 to 203 of Law No. 160/2019.

ii. Non-audit-related engagements

In December 2023, KPMG Advisory S.p.A. was appointed to support the Risk Management function of Banco di Desio e della Brianza S.p.A. in the Pooled AIRB project, developed with Cassa di Risparmio di Asti S.p.A. and Cassa di Risparmio di Bolzano S.p.A., for the adaptation of internal models in accordance with the instructions of the Supervisory Authority. The assignment allows the three sponsoring banks to take advantage of the project management and coordination activities of KPMG Advisory S.p.A., based on similar contracts signed by Cassa di Risparmio di Asti S.p.A. and Cassa di Risparmio di Bolzano S.p.A.

The estimated economic commitment for the entire duration of the assignment awarded by Banco di Desio e della Brianza S.p.A. is a total of Euro 720,000 (excluding VAT), of which:

- Euro 280,000 + VAT for the first phase;
- Euro 220,000 + VAT for the second phase, foreseen on a pay-as-you-go basis in relation to the company's needs and the evolution of the project, which can be activated at the discretion of Banco Desio in 2025;
- Euro 220,000 + VAT for the third phase, foreseen on a pay-as-you-go basis in relation to the company's needs and the evolution of the project, which can be activated at the discretion of Banco Desio from September 2025, at the end of the support period (January 2026).

This appointment follows similar appointments assessed and approved by the Board of Statutory Auditors on 15 October 2020 and 4 November 2021, which were disclosed in previous reports.

More generally, the engagements conferred on the Independent Auditors and its network are subject to specific monitoring by the Board of Statutory Auditors, with the support of the Financial Reporting Manager Function, in accordance with Regulation (EU) No. 537/2014 and the Group's "Rules for the selection of the

Independent Auditors and for the assignment of other non-audit engagements to the Independent Auditors and its network". The last half-yearly report produced by the Function with reference to 31 December 2023 was examined by the Board on 13 February 2024 without any remarks.

In this context, we also verified compliance with the engagement limit pursuant to Article 4, paragraph 2 of Regulation (EU) No. 537/2014 whereby fees for non-audit services (other than audit-related services prescribed by national or EU legislation/regulation) provided to public interest entities must not exceed 70% of the average fees paid in the last three consecutive financial years for the statutory audit. This rule does not apply to the reference date of 31 December 2023, third year of the audit engagement.

We also assessed the adequacy of the non-audit services provided in the light of the criteria set out in Regulation (EU) No. 537/2014, as provided for in Article 5 of the Regulation.

During the course of the financial year, the Board of Statutory Auditors reiterated its recommendations concerning the limitation of assignments not strictly related to the statutory audit in favour of the Independent Auditor's network. In this regard, we would like to point out that, having taken note of the transparency report prepared by the same, we obtained the "Annual Confirmation of Independence" from the Independent Auditors, dated 22 March 2024 pursuant to the aforementioned Article 6, paragraph 2, letter a) of Regulation (EU) No. 537/2014 and pursuant to paragraph 17 of ISA Italia 260.

### **Relations with the Independent Auditors and possible observations**

During the year 2023, we met periodically with the managers of KPMG S.p.A. in accordance with the provisions of Article 150, paragraph 3, of Legislative Decree No. 58/1998 in order to exchange mutual information. The Independent Auditors did not point out any acts or facts deemed reprehensible or irregularities that required the formulation of specific reports pursuant to Article 155, paragraph 2, of Legislative Decree No. 58/1998.

### **Opinions issued by the Board of Statutory Auditors**

During the 2023 financial year, we issued opinions, also pursuant to the law and regulations, at special joint meetings mainly on the following topics:

- Report on the Internal Capital Adequacy Assessment Process (ICAAP) and the Liquidity Risk Governance and Management System (ILAAP) as at 31 December 2023
- Issuance of a subordinated Tier 2 bond loan by the parent company "Brianza Unione" and simultaneous subscription of a subordinated bond loan issued by Banco Desio. (In this circumstance, given the complexity of the transaction, the Board of Statutory Auditors deemed it necessary to obtain a compliance opinion from the Compliance Function in support of its assessments preparatory to the resolution pursuant to Article 136 TUB. The Board also examined the criteria adopted for the accounting of the transaction)
- Update of the covered bond issuance programme ("OBG")

On several occasions, we have expressed our favourable opinion, also in the context of the relevant Committees, on the update/adoption of certain Company Regulations, insofar as relevant, also in our capacity as SB:

- update of the Parent Company's Regulation on the Coordination of Controls and Information Flows (aligned with the establishment of the Coordination Committee of Control Functions, so-called "CCFC" in the context of the Internal Control System Assessment carried out in 2022);
- adoption of the "Audit Mandate" Regulation (following the emergence of certain weaknesses in the Internal Audit framework detected by the Supervisory Authority as a result of the AIRB Inspection, which led to a review of the regulatory structure of the Function);
- update of the Group's Management and Coordination Regulation (aligning internal regulations and procedures with Fides operations).

Within the framework of the examination of the organisational solutions adopted by the Bank in relation to the "Adaptations to the Amendments to the Supervisory Provisions on AML Organisation, Procedures and Controls (Provision of 1 August 2023)" and to the "Adaptations to the 40th update of Circular 285/2013", the Board, also in its capacity as SB, expressed a favourable opinion on the amendments to update certain company regulations and internal regulatory documents impacted by the provisions in



question, including in particular: (i) Internal Regulation of Corporate Bodies, (ii) Regulation of the Committee for Complex Operations ("COC"), (iii) AML Policy and Risk Matrix 231 annexed thereto, (iv) Group Management and Coordination Regulation, (v) Company Organisation Chart and Description of Functions (function chart).

For the sake of completeness, we add that:

- in the context of the measures pursuant to Article 2386 of the Italian Civil Code related to the potential replacement of a deceased Director, the Board of Statutory Auditors, having acknowledged the preliminary investigation carried out by the Appointments Committee (in light of which the Board passed the resolution within its competence), expressed its approval of the procedure adopted;
- the Board of Statutory Auditors also took note, to the extent of the Control Body's interest, of the preliminary investigation conducted within the Appointments Committee for the purpose of assessing the suitability of the main corporate functions (including the Corporate Control Functions and the Financial Reporting Manager) by the Board of Directors.

We also expressed our opinion in all those cases where we deemed it appropriate or where we were requested to do so by a board committee or the Board of Directors.

In particular, also taking into account our constant participation in the Risk Control and Sustainability Committee and subsequently, the Risk Control Committee and the Sustainability Committee, as well as the joint meetings held with the same Risk Control Committee, we have, among other things, monitored the reporting of the FAC for the aspects falling within our competence.

#### **Frequency and number of meetings of the Board of Directors, the Board Committees and the Board of Statutory Auditors**

In order to acquire the instrumental information for the performance of its supervisory duties, we acknowledge that, almost always in its entirety, the Board of Statutory Auditors has:

- attended the Shareholders' Meetings held on 27 April 2023 (Extraordinary and Ordinary Shareholders' Meetings);
- attended 20 meetings of the Board of Directors and 17 meetings of the Executive Committee held during the 2023 financial year;
- carried out 58 joint and individual activities <sup>6</sup>. This figure includes 17 activities as Supervisory Board 231;
- attended 5 meetings of the Control, Risk and Sustainability Committee, and, subsequently, 13 meetings of the Risk Control Committee, 12 meetings of the Sustainability Committee, as well as 9 meetings of the Remuneration Committee, 10 meetings of the Appointments Committee and 6 meetings of the Related and Connected Party Transactions Committee.

#### **Respect for the principles of proper administration**

We have acquired knowledge and supervised, to the extent of our competence, the observance of the principles of proper administration through our participation in the meetings of the Board of Directors and at numerous meetings with executives and structure managers.

We believe that the governance tools and processes adopted by the Bank constitute a valid safeguard for compliance with the principles of proper administration in operational practice. In particular, with regard to the decision-making processes of the Board of Directors, we ensured that the transactions deliberated and implemented by the Directors complied with the aforesaid rules and principles of economic rationality and were not manifestly imprudent or risky, in conflict of interest with the Bank, in contrast with the resolutions passed by the Shareholders' Meeting, or such as to compromise the integrity of the assets.

#### **Adequacy of the organisational structure**

We acquired knowledge and carefully monitored the main developments in the organisation and the organisational methods, and supervised the adequacy of the organisational structure with respect to the

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<sup>6</sup> Among other things, 12 individual audits at branches were reported.

Bank's strategic objectives. We have no particular observations to report in this regard. The organisational structure, which will also be subject to routine maintenance during 2023, appears overall adequate in view of the Bank's corporate purpose, characteristics and size.

### **Adequacy of the Internal Control and Risk Management System**

The Bank has adopted an Internal Control and Risk Management System aimed at identifying, measuring, managing and monitoring on an ongoing basis the risks to which it is or could be exposed, in order to ensure the achievement of effectiveness and efficiency of business processes through constant monitoring of the processes carried out in compliance with legal and supervisory provisions on internal controls.

In this context, the Board of Directors defines the nature and level of risk compatible with the strategic objectives of the issuer, including in its assessments all risks that may be relevant in view of the medium to long-term sustainability of the Bank's business.

This system is characterised by an articulated structure involving all company levels, with specific duties reserved to the Board of Directors, the Board of Statutory Auditors, the Chief Executive Officer and General Manager and the person in charge of internal controls, identified in the person of the pro-tempore Head of the Internal Audit Department. This Department reports directly to the Board of Directors. We recall that the Risk Management (to which the Internal Validation Office reports), Compliance and Anti-Money Laundering functions report to the Chief Executive Officer. The structure of the verification and reporting activities carried out by the Internal Audit Department is consistent with the specific recommendations of the Corporate Governance Code, as well as with the Supervisory Provisions. The Parent Company carries out the internal audit, risk management, compliance and anti-money laundering functions for Fides S.p.A. under an outsourcing arrangement.

The Board of Statutory Auditors regularly analysed the activities carried out by the Branches through the audits supported by the Internal Audit Department (which were also carried out remotely). These audits mainly focused on credit and anti-money laundering issues.

On the occasion of each inspection visit, the alignment to the "remediation" requirements resulting from the previous inspection by the Board itself and/or the Internal Audit Department was also analysed, using sample extractions. The Board has, among other things, recommended in general terms the careful management of anomalous credit exposures, with a view to recovering - where possible - the sums owed to the Bank, also inviting the Managers of the Branches being examined to critically assess the advisability of maintaining the relationships.

As part of the particular focus reserved for anti-money laundering issues, the Board of Statutory Auditors continued to raise the awareness of all structures involved in the continuous monitoring of the positions highlighted by the applications in use, recalling the importance of the timely recognition and monitoring of subjects and situations potentially at risk, as well as the importance of the use of specific training by network personnel.

The issues in question were also mentioned at meetings of the Risk Control Committee and the Board of Directors in general regarding the revision of operational and control processes.

The Board of Statutory Auditors carried out a follow-up on the strengthening of control structures, which had been requested at the time, especially with regard to the Branches, also in light of the increase in the same as a result of the Lanternina Transaction, monitoring their effectiveness, and more generally, noting the Bank's strong growth in size, the Board of Statutory Auditors undertakes, with a view to consistently monitoring risks, to consequently monitor the adequacy of the corporate structures in charge of controls both quantitatively and qualitatively, as well as the adequacy of the controls, deeming as of now that for certain areas, it is necessary to strengthen the structure.<sup>7</sup>

The Board continued to place particular emphasis on the need to maximise the effectiveness of coordination between FAC in general.

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<sup>7</sup> First Line Controls and Compliance Office.

The Board of Directors has established a Risk Control Committee and a Sustainability Committee<sup>8</sup> in whose sessions the Board of Statutory Auditors participates: currently they are each made up of 1 non-executive director and 2 independent directors, including the Chair of the Committee. The Board of Statutory Auditors and the Risk Control Committee are responsible, within their respective scopes and taking into account the provisions of Legislative Decree No. 39/2010, for assessing the effectiveness and efficiency of the control services established by virtue of the resolutions of the Board of Directors. Furthermore, joint meetings of the Group's Boards of Auditors with the Risk Control Committee and the Independent Auditors are now consolidated practice, at least when preparing the annual and half-yearly accounting reports. The Annual Report on Corporate Governance and Ownership Structure describes the Guidelines of the Group's Internal Control and Risk Management System, consistent with the Articles of Association and regulatory provisions.

All Group companies share - without prejudice to the specific operational characteristics of each type of company - the risk measurement and management models defined at a general level by the Parent Company, including also the socio-environmental risks (pursuant to Legislative Decree No. 254/2016) arising from the company's activity, from the products/services offered as well as from the supply and subcontracting chains.

The Parent Company outlines the reference model of integrated risk management and the internal control system as the central element of the coordination activity between the control functions and between these and the Corporate Bodies, overseeing its implementation also at the Subsidiaries.

The Parent Company assesses how to centralise, including partially, the internal control functions/activities of the Subsidiaries, ensuring the presence of local supervision and control figures.

In compliance with the provisions of the Bank of Italy contained in Circular No. 285 of 17 December 2013 (Title IV, Chapter 3 "The Internal Control System"), the Bank prepared, as mentioned, the "Parent Company's Regulation on the Coordination of Controls and Information Flows", last updated in November 2023. The Regulation defines the tasks and responsibilities of the control bodies and functions within the Banco Desio Group (in particular, the procedures, coordination occasions, organisational reporting and related links between the aforesaid corporate functions, as well as the tasks and responsibilities of the control functions, the main controls carried out by each function, and the information flows between the various functions). It should be noted that the Parent Company, within the framework of its management and coordination of the Group, organically regulated by the "Group Regulation" adopted at the time, exercises: a) strategic control over the evolution of the various areas of activity in which the Group operates and the risks affecting the portfolio of activities exercised; b) management control aimed at ensuring the maintenance of economic, financial and capital equilibrium conditions both of individual companies and of the Group as a whole; c) technical-operational control aimed at assessing the various risk profiles contributed to the Group by individual subsidiaries.

As part of its institutional role, the Board of Statutory Auditors is called upon, pursuant to the provisions of the Bank of Italy with Circular 285 of 17 December 2013, to supervise the adequacy and compliance with the requirements established by the regulations of the internal capital adequacy assessment process (ICAAP) and of the internal liquidity adequacy assessment process (ILAAP) and, in general, of the risk management and control system. At special meetings, with the assistance of the Chief Risk Officer, we positively assessed the functionality and adequacy of the process itself, as well as its compliance with the requirements of the regulations.

In line with the provisions of the Bank of Italy Circular No. 285 of 17 December 2013 (Title IV, Chapter 3 "The Internal Control System") we acknowledge the update of the document outlining the Risk Appetite Framework (RAF) that defines - in line with the business model and strategic plan - the risk appetite, tolerance thresholds, risk limits and reference policies necessary to define and mitigate risks.

Among the risk profiles increasingly being monitored by the Board of Statutory Auditors is that of ICT risks, which is dealt with in special reports by the Risk Management Department and also in a dedicated

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<sup>8</sup> As mentioned, in terms of governance structure, the year 2023 was characterised by the demerger of the pre-existing Risk Control and Sustainability Committee ("CCRS") into two specialised committees, the Risk Control Committee ("CCR") and the Sustainability Committee ("COS").

induction session in the Cyber Risk and Phishing area. Further investigations are planned for the current year.

The internal control and risk management system also includes the aforementioned OMM 231, aimed at preventing the commission of offences that may entail the Bank's liability.

On the basis of the information acquired, we acknowledge the assessment of the overall adequacy and effectiveness of the internal control and risk management system with respect to the characteristics of the Bank and the risk profile assumed, subject to the remedies that will be put in place on the Compliance structure and the reinforcement of certain structures and staff levels, as mentioned in the previous section.

### **Whistleblowing system**

The Banco Desio Group (hereinafter the "Group") is committed to promoting an internal culture based on ethical and transparent conducts, fostered by good corporate governance. The Group encourages Employees and Third Parties to report conduct, acts or omissions that harm the public interest or undermine the integrity of the Group itself, pursuant to sectoral reference legislation and in compliance with Legislative Decree No. 24 of 10 March 2023. It should be noted that since 1 January 2016, the Banco Desio Group has established an internal system of confidential reporting of violations ("whistleblowing"). In the course of 2023, the Legislator - in implementation of Directive (EU) 2019/1937 - issued Legislative Decree No. 24 of 10 March 2023 concerning "the protection of persons who report breaches of Union law and laying down provisions concerning the protection of persons who report breaches of national law". This legislative change made it necessary to update the Bank's regulations on the subject; this update was approved by the Board of Directors in August 2023.

The Group has therefore adopted the Regulation with the following purposes: (i) introduce the whistleblowing legislation, also in compliance with Legislative Decree No. 24 of 10 March 2023; (ii) define the governance of the whistleblowing management process; (iii) define the subject and contents of the report; (iv) define the operational modalities in which the whistleblowing management process is structured.

The discipline provides for specific organisational requirements and rules of conduct, defines how whistleblowing should be handled, and aims to create a healthy working environment where ethical values are at the heart of decisions and actions.

In compliance with the provisions of the aforementioned legislative decree, the Group made the new reporting platform available on the Banco Desio and Fides websites on 17 July 2023 (the day 15 July 2023 required by the regulations fell on a weekend). This cloud platform developed and managed by EQS Group AG - a leading company in the field of digital compliance systems - has all the necessary IT security requirements and guarantees the indispensable confidentiality of the whistleblower with regard to both the submission of the report and its handling. The receipt and handling of reports will therefore be the sole prerogative: (i) of the Head of the Internal Audit Department and delegates (defined as "case managers") in accordance with the audit mandate; (ii) the Chairs of the Board of Statutory Auditors of the Group Companies, if the reports fall within the scope of application of Legislative Decree 231/2001.

Following the above updates, specific training initiatives were implemented for all Group Personnel.

During 2023, no reports of violations were received or reported to the Supervisory Board.

### **Code of Ethics**

The Board of Directors' resolution of 17 December 2020 approved the update to the above-mentioned Code of Ethics, with particular reference, as mentioned, to the rules of a commercial nature and the regulation of relations with shareholders.

### **Adequacy of the administrative-accounting system**

We have acquired knowledge of and supervised, to the extent of our competence, the adequacy and functioning of the administrative-accounting system, as well as the reliability of the latter to correctly represent management events, by obtaining information from the Financial Reporting Manager, from the heads of functions, from the Independent Auditors and from the examination of company documents; in this regard, we have no particular observations to report.

The administrative accounting system is outsourced to Cedacri S.p.A. for the IT system.

With reference to the accounting information contained in the financial statements as at 31 December 2023, we acknowledge that on 29 February 2024, the certification pursuant to Article 81-ter of the current Consob Regulation No. 11971 of 14 May 1999 was provided without remarks. The Financial Reporting Manager, during the periodic meetings with the Board of Statutory Auditors aimed at exchanging information and supervision as provided for by Article 19 of Legislative Decree No. 39/2010, did not report any significant deficiencies in the operating and control processes that, due to their importance, could affect the assessment of the adequacy and effective application of the administrative-accounting procedures put in place to ensure a correct representation of management events, in compliance with current international accounting standards. At the conclusion of his control activities, the Financial Reporting Manager expressed an opinion on the adequacy and effective application of the administrative and accounting procedures governing the preparation of the financial statements.

We are in a position to state that the Bank's administrative and accounting system is reliable and adequate to correctly represent management events.

#### **Instructions issued to Subsidiaries (Article 114, paragraph 2 of Legislative Decree No. 58/98)**

The Parent Company's relations with Subsidiaries have always been illustrated at meetings of the Parent Company's Board of Directors. Where necessary, we obtained comprehensive answers to requests for further information. The system of management, coordination and control implemented by the Bank in the performance of its functions of guidance and strategic direction of the entire Group, also pursuant to Article 61 of the Consolidated Law on Banking and Article 2497 of the Italian Civil Code, is adequate and functional.

The Board of Statutory Auditors took note of the instructions issued by the Parent Company to the Subsidiaries pursuant to Article 114, paragraph 2 of the Consolidated Law on Finance and deemed them adequate to fulfil the disclosure obligations prescribed by law. In this regard, it should be noted that the Parent Company regulates, with special procedures periodically maintained, the information flows directed to it by Subsidiaries. To this end, the Banco Desio Group's Management and Coordination Regulation were last updated on 9 November 2023.

#### **Relations with the corresponding boards of Subsidiaries**

As part of our control coordination activities, we exchanged information with the Board of Statutory Auditors of the Subsidiary Fides S.p.A.<sup>9</sup> also holding several joint meetings with the same, without receiving evidence of significant facts to be included in this Report.

#### **Corporate Governance Code**

In addition to what is indicated in the introductory section of this Report, with regard to corporate governance rules, we would like to remind you that the Bank complies with the Corporate Governance Code for Listed Companies, as set forth in the Annual Report on Corporate Governance and Ownership Structure, made available on the Bank's website, prepared pursuant to Article 123-bis of Legislative Decree No. 58/1998, as amended and supplemented. This Annual Report on Corporate Governance and Ownership Structure illustrates the ways and means by which the principles and application criteria of the Code have been effectively applied, as well as the non-adoption or partial adoption or application of some of the Code's recommendations, in which case providing the relative reasons.

Among other things, the Code gives the Board of Directors a new role in the promotion of sustainability strategies and dialogue with the market and relevant stakeholders, particularly shareholders.

We then reviewed the information provided by the Chairman to the Board of Directors and the Control Body on the development and significant contents of the dialogue held with all Shareholders in implementation of the Shareholders' Engagement Policy adopted by the Bank.

Within the framework of the Code's recommendations, the Board of Statutory Auditors verified, among other things, that the Board of Directors used correct criteria for assessing the independence of Directors.

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<sup>9</sup> It is recalled that the "special purpose vehicle" Desio OBG S.r.l. (also a Subsidiary) has not established a Board of Statutory Auditors as the legal requirements are not met.

The Board of Statutory Auditors verified the existence of the independence requirement for each of its members.

The Board of Statutory Auditors continued to monitor the implementation of the aforementioned Board resolution of 19 November 2020 by which the Bank adopted the Code.

#### **Self-assessment and training of the Board of Statutory Auditors**

In accordance with the provisions of the aforementioned Bank of Italy Circular No. 285/2013, the Body with control functions is also called upon to perform a self-assessment on its own composition and functioning, based on criteria and methods consistent with its own characteristics. We have therefore carried out our self-assessment with reference to the 2023 financial year, the final report of which is expected to be formally approved at the first useful meeting of the Board of Statutory Auditors scheduled for April.

The self-assessment exercise, set up according to a consultancy methodology combining qualitative-quantitative questionnaires with interviews with the Statutory Auditors, concluded mainly with an assessment of the adequacy of the composition of the Body entirely confirmed in the current term of office and deemed adequate, as well as its functioning, to cope with the tasks and responsibilities required for a listed bank, as well as an adequacy judgement on the size, gender diversity, experience and professional skills present in the Board as a whole.

We highlight the constant and proactive commitment shown by the Statutory Auditors, not only during the Board meetings, but also through their assiduous participation in the meetings of the Board of Directors and of the Board Committees, emphasising their contribution, in full respect of their role as a control body.

The self-assessment also touched upon the training aspect, also from a forward-looking perspective; in this regard, it should be noted that in 2023, the Statutory Auditors carried out an intense induction activity by participating in the 7 sessions organised jointly with the Board of Directors as well as in a session specifically reserved for the Board of Statutory Auditors.

All the aspects outlined in the self-assessment will in any case continue to be monitored as the regulatory environment of the financial sector and/or the Banco Desio Group's scope of operations evolve.

#### **Organisation and Corporate Governance**

During the 2023 financial year, there were no significant changes in the overall corporate governance structure of the Bank and the Group, without prejudice to what has already been specified regarding the structure of the Board Committees.

All information on these structures can be found in the Annual Report on Corporate Governance and Ownership Structure, which we have carefully reviewed and to which we refer in its entirety, also with regard to the management of corporate information, conflicts of interest, etc.

#### **Remuneration and incentive policies**

During 2023, we positively verified the ways in which the remuneration policies applied by the Bank in the 2023 financial year complied with legal and regulatory requirements, also making use of the results of the audits carried out, to the extent of their respective responsibilities, by the Internal Control Functions.

We have reviewed the Annual Report on Group Remuneration and Incentive Policies, submitted to the Board of Directors on 19 March 2024 and prepared in accordance with applicable regulations on remuneration and incentive policies and practices in banks and banking groups.

The Report presents the policies and procedures adopted by the Group on remuneration for the financial year 2024 and gives an account of the application during 2023 of the policies approved in the previous year.

The Board of Statutory Auditors has reiterated the recommendation that remuneration at the network level should be linked not only to the achievement of budget targets, but also to punctual compliance with company regulations.

### **Non-financial statement (Sustainability Report)**

Within the scope of the functions assigned to us by the regulations, we supervised compliance with the legal regulations concerning the preparation of the consolidated non-financial statement required by Legislative Decree No. 254/2016.

Recalling that the Bank has also conferred for the financial years 2021 to 2029 to the same KPMG S.p.A. the engagement provided for by Article 3, paragraph 10, of Legislative Decree No. 254/2016 and by Article 5 of the Consob Regulation implementing the Decree (adopted by Resolution No. 20267 of 18 January 2018), we acknowledge that we met with the managers of KPMG S.p.A. also for the purpose of an exchange of information with reference to both the drafting process and the contents of the Consolidated non-financial statement. No comments were formulated in this regard.

During the meeting of the Board of Statutory Auditors on 27 February 2024 (jointly with the Risk Control Committee, the Sustainability Committee, the Financial Reporting Manager and the Independent Auditors), we were presented by the Financial Reporting Manager Function with the draft of the "Consolidated non-financial statement in compliance with Legislative Decree No. 254/2016 - 2023 Sustainability Report", which was then approved by the Board of Directors of the Bank on 29 February 2024 as a separate document from the Report on Operations accompanying the consolidated financial statements as at the same reference date of 31 December 2023.

In the certification issued by KPMG S.p.A. on 22 March 2024 pursuant to Article 3, paragraph 10, of Legislative Decree No. 254/2016 and in the statement made within the audit report to the consolidated financial statements pursuant to Article 4 of the Consob Regulation implementing the aforementioned Decree, the Independent Auditors also did not make any observations.

The Board of Statutory Auditors has no remarks to make concerning the consolidated non-financial statement called the 2023 Sustainability Report of the Banco Desio Group, which, in light of the common law provisions on shareholders' meeting competence (Article 2364, paragraph 1, No. 5, of the Italian Civil Code), is not subject to approval by the Shareholders' Meeting.

### **Diversity policies**

We hereby inform you that the Report on Corporate Governance and Ownership Structure, pursuant to Article 123-bis, paragraph 2, letter d-bis) of the Consolidated Law on Finance, added by Article 10 of Legislative Decree No. 254/2016, contains the required information on the diversity policies applied by the Banco Desio Group in relation to the composition of the administration, management and control bodies with regard to aspects such as age, gender composition and educational and professional background, as well as a description of the objectives, implementation methods and results of such policies.

The practices adopted by the Banco Desio Group are consistent not only with the legal provisions on gender quotas (Articles 147-ter and 148 of the Consolidated Law on Finance), but also with the Supervisory Provisions on the composition of Corporate Bodies, which provide for "an adequate degree of diversification in terms of, inter alia, skills, experience, age, gender, and international projection". Among other things, this aspect is analysed as part of the self-assessment process, taking into account the operational and dimensional complexity of the company.

The aforementioned practices, also at the instigation of the Board of Statutory Auditors, have been formalised in a specific Policy approved by the Board of Directors on 28 February 2019 (recently updated in 2021) also in line with the aforementioned indications of the Italian Corporate Governance Committee and the regulatory framework on the subject.

### **Concluding assessments of supervisory activities and possible proposals pursuant to Article 153, paragraph 2 of Legislative Decree No. 58/98**

As a result of the supervisory activity carried out, as described above, no omissions, reprehensible facts or irregularities worthy of mention here have emerged. We do not believe that the prerequisites exist that make it necessary to exercise the right to make proposals to the Shareholders' Meeting pursuant to Article 153, paragraph 2, of Legislative Decree No. 58/1998.

We can therefore confirm the suitability:

- of the Governance System and the related Internal Control and Risk Management System, the fundamentals of which are outlined in the Annual Corporate Governance Report pursuant to Article 123-bis of the Consolidated Law on Finance;
- of the Internal Capital Adequacy Assessment Process (ICAAP) and the Internal Liquidity Adequacy Assessment Process (ILAAP), the development and updating of which is subject to verification in accordance with specific supervisory provisions;
- of organisational and control measures in the area of anti-money laundering, in line with legal and supervisory provisions;
- of the Regulation on Information Flows inherent to Corporate Bodies and internal control functions and the annexed Control Coordination Document, drawn up in compliance with the Supervisory Provisions on Corporate Governance and on the Internal Control System, Information Systems and Business Continuity;
- of the control activities carried out by the relevant functions and, in particular, by the Internal Audit Department, the Risk Management Department, the Compliance Office, the Anti-Money Laundering Office and the Financial Reporting Manager, including through the periodic assessment of institutional reports;
- of procedures for handling complaints received from Group customers, including those relating to investment services;
- of the activities carried out in the field of Privacy (Law No. 196/2003 as amended by Legislative Decree No. 101/2018 and Regulation (EU) No. 679/2016);
- of the existing Occupational Health and Safety safeguards pursuant to Legislative Decree No. 81/2008;
- of the Internal Whistleblowing System Regulation pursuant to Bank of Italy Circular No. 285/2013 and Law No. 179/2017.

We can therefore conclude that through our activities during the year we were able to ascertain:

- compliance with the Law and the Articles of Association;
- the adequacy of the administrative accounting system;
- the adequacy of the organisational and internal control structure;
- the application of the principles of proper administration;
- the concrete implementation of corporate governance rules;
- the adequacy of the instructions given to the Subsidiaries;
- the adequacy of supervisory controls over related party transactions;
- the preparation of financial statement reporting in compliance with both the IFRS international accounting standards and the provisions of the Bank of Italy (Circular No. 262 of 22 December 2005 and subsequent updates), in consideration also of the specific communications sent on the subject by the Bank of Italy.

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### **Separate financial statements as at 31 December 2023**

We have examined the draft financial statements for the financial year ended 31 December 2023, which were made available to us in accordance with the law, and on which we report as follows.

The financial statements for the year ended 31 December 2023 have been prepared in accordance with the IAS/IFRS in force at the reporting date, issued by the International Accounting Standards Board (IASB) with the related interpretations of the IFRS Interpretations Committee (formerly IFRIC) and endorsed by the European Commission, as well as with the compilation rules established by the Bank of Italy in Circular No. 262 "Banks' financial statements: formats and rules for preparation" of 22 December 2005 and subsequent updates.

The Report on Operations adequately comments on and illustrates the performance of the financial year and provides information on the outlook for the future. The same Report fulfils, among other things, the disclosure requirement of Article 123-bis of the Consolidated Law on Finance on the subject of ownership structure, with relevant reference to the related Annual Report on Corporate Governance and Ownership Structure.

The Independent Auditors KPMG S.p.A., as already mentioned, expressed its professional opinion on the financial statements by issuing, on 22 March 2024, its report drawn up in accordance with Article 14 of



Legislative Decree No. 39/ 2010 and Article 10 of Regulation (EU) No. 537/14, which does not contain any remarks, exceptions or requests for information.

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**Consolidated financial statements as at 31 December 2023**

We have also examined the consolidated financial statements for the year ended 31 December 2023, which are presented to you by the Directors. They have been prepared in accordance with legal provisions and the Report on Operations includes an illustration of the Bank's performance and that, in summary, of its subsidiaries, as well as the Group's structure, as required by Article 25 et seq. of Legislative Decree No. 127/91, as amended.

The following subsidiaries are consolidated on a line-by-line basis:

- Fides S.p.A. 100% owned
- Desio OBG S.r.l. 60% owned and

also included in the scope of consolidation is the securitisation vehicle Coppedè SPV S.r.l. insofar as through Fides S.p.A., pursuant to IFRS 10 *Consolidated Financial Statements*, the Banco Desio Group has a position of substantial control of the SPV itself, even though there is no equity interest in it.

The responsibility for preparing the consolidated financial statements lies with the administrative body of the Bank, as provided for in Article 29 of Legislative Decree No. 127/91, as amended, and it is the duty of the Independent Auditors to express a professional opinion on them, based on their audit. This opinion was issued by KPMG S.p.A. on 22 March 2024 and does not contain any remarks, exceptions or requests for information.

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Shareholders,

we conclude our Report on the control activities carried out by giving a positive opinion on your Bank's activities, its organisation, its internal control and risk management system, and its compliance with the law and the Articles of Association.

We therefore express a favourable opinion on the approval of the financial statements for the year ended 31 December 2023 submitted to you by the Board of Directors.

In view of the fact that the proposal for the distribution of dividends contained in the Report on Operations to the financial statements complies with the provisions:

- of Article 28 of the Articles of Association;
- of dividend distribution policies, approved by the Board of Directors on 13 May 2014;
- of the changes to the dividend distribution policies approved by the Board of Directors on 23 March 2023, which provide for the application of the pay-out on earnings net of positive non-recurring items from extraordinary transactions;
- of Article 26 of Decree Law No. 104 of 10 August 2023, converted with amendments by Law No. 136 of 9 October 2023, and of the consequent resolution passed by the Board at its meeting of 9 November 2023 to bind an amount equal to 2.5 times the amount of the extraordinary tax provided for by the Decree;
- that the auditing firm KPMG SPA issued, on 9 February 2024, the provisional attestation letter (comfort letter) for the purpose of including the undistributed profit at 31 December 2023 in the Own Funds in accordance with Article 26 (2) of Regulation (EU) No. 575/2013 (ECB/2015/4) and the Bank of Italy communication of 22 January 2016;
- that the ratio of the proposed unit dividend to the average stock market value of the year (Dividend Yield) was 7.83% (formerly 6.58%);

we express a favourable opinion on the allocation of the net profit for the year 2023, amounting to Euro 238,044,542.60 as follows:

|                                                                                    |                                  |
|------------------------------------------------------------------------------------|----------------------------------|
| 10% to be allocated to the ordinary reserve:                                       | Euro 23,804,454.00               |
| 10% to be allocated to the statutory reserve:                                      | Euro 23,804,454.00               |
| Restricted reserve pursuant to Article 26 of Decree Law No. 104 of 10 August 2023: | Euro 46,700,000.00 <sup>10</sup> |
| To Shareholders Euro 0.2634 for each of the 134,363,049 ordinary shares equal to   | Euro 35,391,277.11               |
| Charity Reserve                                                                    | Euro 65,000.00                   |
| Statutory reserve, the residual of                                                 | Euro 108,279,407.49              |

Desio, 27 March 2024

The Statutory Auditors  
Emiliano Barcaroli - Chairman  
Rodolfo Anghileri  
Stefania Chiaruttini

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<sup>10</sup> Amount resulting from the rounding of the actual figure of Euro 46,623,468 calculated as 2.5 times the value of the tax determined on the upper limit of 0.26% of the total risk exposure on an individual basis.

## **Meeting Resolution**

## **MEETING RESOLUTIONS**

The Ordinary Shareholders' Meeting of Banco di Desio e della Brianza S.p.A. met at the registered office in first call on 18 April 2024 and passed the following resolutions:

### **Approval of the financial statements and allocation of the 2023 result**

The Ordinary Shareholders' Meeting approved the financial statements as at 31 December 2023. The net profit for the financial year amounted to Euro 238,044,542.60. In this context, the Shareholders' Meeting approved the distribution to shareholders of a dividend, amounting to Euro 0.2634 for each of the 134,363,049 ordinary shares. In accordance with the Stock Exchange calendar, the dividend will be paid on 24 April 2024, against the ex-dividend of coupon 33, while the "ex-dividend" date, for the purposes of share prices, and the record date<sup>11</sup> will be 22 May and 23 April 2024, respectively. The Shareholders' Meeting also approved the allocation of Euro 46,700,000.00 to a special restricted reserve pursuant to article 26 of Decree-Law No. 104 of 10 August 2023, in lieu of the payment of the extraordinary tax (so-called "tax on extra-profits"), making use of the option provided for in the same legislation.

The Ordinary Shareholders' Meeting was also presented the consolidated financial statements and the consolidated non-financial statement (so-called "sustainability report") as at 31 December 2023 of the Banco Desio Group, prepared in accordance with Legislative Decree 254/2016.

The individual financial statements and the consolidated financial statements were audited by KPMG S.p.A., which issued an unqualified opinion, as well as an opinion on the consistency and conformity of the report on operations with the law and the financial statements. With reference to the "Sustainability Report", the Auditor issued a limited assurance engagement opinion in accordance with the applicable provisions.

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In the context of the presentation of the financial statements as at 31 December 2023, the Shareholders' Meeting also took note of an update given by the Board of Directors concerning certain events related to specific disclosures in the consolidated and individual reports on operations, which occurred after the Board of Directors approved and authorised the publication of the draft financial statements and consolidated financial statements on 29 February 2024. Specifically, it was noted that, on 19 March 2024, the Bank of Italy presented to the Board of Directors of Banco Desio the results of the inspections on the subject of "Governance and control structures of relevant processes with a view to customer protection" (so-called banking transparency), for which a remedial plan was requested. This plan, in addition to including procedural and organisational projects that the Bank has promptly identified, could entail restitution obligations of commissions to customers that cannot be estimated as of today, as they are still being assessed (including through discussions with the Supervisory Authority) as part of the activities underway for the purposes of preparing the Bank's replies, which, once approved by the Board of Directors, will be submitted for further discussion with the Bank of Italy together with the Bank's counter-claims in the context of the proceedings underway.

For the sake of completeness, it was also noted that, on 9 April 2024, the Bank of Italy presented to the Board of Directors of Banco Desio the results of its inspections on the subject of "Compliance with regulations on combating money laundering and terrorist financing" (so-called anti-money laundering), with reference to which appropriate improvement measures will be addressed, as is usually the case.

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<sup>11</sup> Date of entitlement to dividend payment, as per article 83-terdecies TUF (Consolidated Law on Finance), according to Legislative Decree No. 91/2012

## **Annual Report on remuneration policy and remuneration paid**

The Ordinary Shareholders' Meeting also approved the Annual Report on remuneration policy and remuneration paid, prepared in compliance with the relevant supervisory provisions.

### **Annual incentive plan called "2024 Incentive System", based on the assignment of "Phantom Shares", intended for the Chief Executive Officer/General Manager, as well as for the remaining key personnel of Banco di Desio e della Brianza S.p.A. and its subsidiaries**

The Ordinary Shareholders' Meeting approved the annual incentive plan called the "2024 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/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 the powers necessary for the actual implementation of the "2024 Incentive System" Plan, to be exercised in compliance with the provisions of the relevant information document published on the institutional website [www.bancodesio.it](http://www.bancodesio.it) (Section "The Bank/Governance/Meeting").

### **Proposal to authorise the purchase and disposal of ordinary treasury shares pursuant to articles 2357 and 2357-ter of the Italian Civil Code, article 132 of Legislative Decree 58/1998 and related implementing provisions**

The Ordinary Shareholders' Meeting approved the proposal to authorise the purchase and disposal of ordinary treasury shares pursuant to articles 2357 and 2357-ter of the Italian Civil Code, article 132 of Legislative Decree 58/1998 and related implementing provisions. The purpose of the authorisation is to provide the Bank with a useful strategic investment opportunity for any purpose permitted by current provisions and is subject to obtaining the prior authorisation of the Bank of Italy, pursuant to and for the purposes of articles 77 and 78 of Regulation (EU) No. 575/2013. The Ordinary Shareholders' Meeting approved the proposal for the purchase of a maximum of 4,030,891 treasury shares, equal to 3% of the share capital, for a maximum total amount quantified in Euro 20.2 million and, in any case, within the maximum total amount to be determined by the Bank of Italy, at a unit price that, in compliance with the provisions mentioned below, may not be at least 10% lower and at most 10% higher than the average official price recorded by the Banco Desio share in the 10 trading days prior to each individual purchase transaction.

Purchases will be made in accordance with the procedures set forth in the applicable legal and regulatory provisions in force from time to time, including article 132 TUF, the relevant implementing provisions, article 144-bis of Consob Regulation No. 11971/1999 and in compliance with the conditions and restrictions on trading set forth in articles 3 and 4 of Regulation (EU) No. 1052/2016.

The authorisation to purchase treasury shares was granted for the period of 18 months from the date of the resolution of the Ordinary Shareholders' Meeting and, in any case, for the duration of 12 months from the authorisation order of the Bank of Italy. On the other hand, the authorisation to dispose of treasury shares was granted without time limit.

For further details, please refer to the Directors' Explanatory Report available on the institutional website at [www.bancodesio.it](http://www.bancodesio.it), section "Home/The Bank/Corporate Governance/Meeting", as well as on the IINFO storage platform at [www.linfo.it](http://www.linfo.it).

### **Appointment of a Director pursuant to article 15, paragraph 3 of the Articles of Association**

Following the death of an Independent Director, who had been expressed by the minority list (Fondazione Cassa di Risparmio Terni e Narni) at the last Shareholders' Meeting of 27 April 2023, for whose replacement the Board had subsequently decided not to proceed by co-option, the Ordinary Shareholders' Meeting appointed a new Director - for the financial years 2024-2025 - pursuant to article 15, paragraph 3 of the Articles of Association.

Elected from the proposal submitted by the Fondazione Cassa di Risparmio Terni e Narni, which holds 4.46% of the share capital, was Folco Trabalza, who obtained 99.94% of the resolution quorum corresponding to 10.62% of the share capital.

The appointed Director - whose curriculum vitae is available on the institutional website at [www.bancodesio.it](http://www.bancodesio.it), section "Home/La Banca/Governance/Meeting" - meets the independence requirements pursuant to the applicable provisions and, as of the date of appointment, does not hold significant stakes in the Company's capital pursuant to article 120 TUF.

The overall verification of the Manager's requirements will in any case be carried out "ex post" pursuant to the relevant Supervisory provisions.