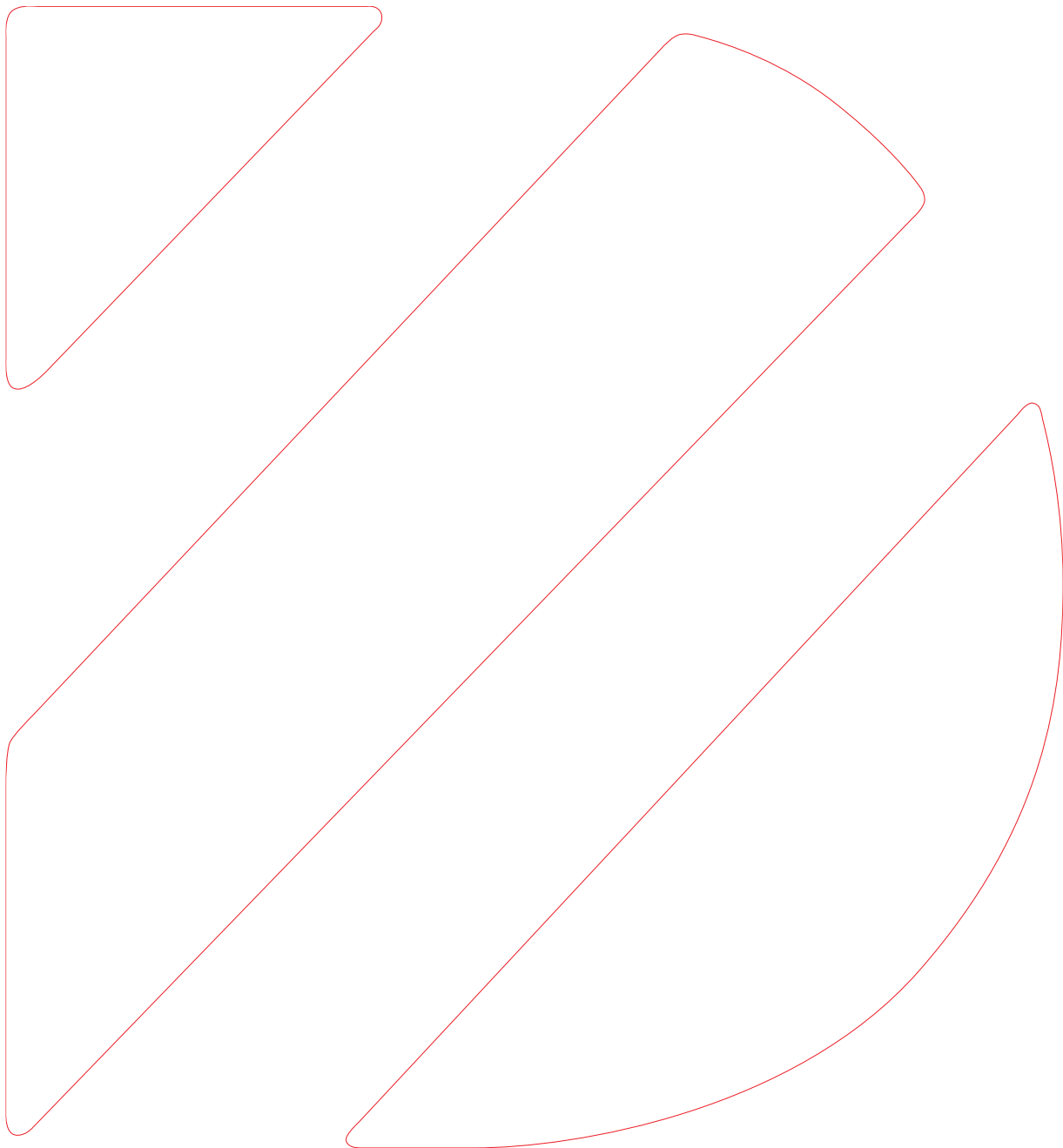




Consolidated Half-Year Financial Report at 30 June 2024

Desio, 30 July 2024

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Officers

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

Board of Directors

APPOINTED BY THE SHAREHOLDERS' MEETING OF 27 April 2023
in office until the approval of the financial statements at 31.12.2025

<u>Chairman</u>	Stefano Lado
<u>Chief Executive Officer and General Manager</u>	Alessandro Maria Decio*
<u>Directors</u>	Graziella Bologna* Valentina Maria Carla Casella Paola Bruno Agostino Gavazzi* Tito Gavazzi Alessandra Maraffini Laura Tulli Gerolamo Gavazzi* Folco Trabalza (appointed meeting 18 April 2024)

* Members of the Executive Committee

Board of Statutory Auditors

APPOINTED BY THE SHAREHOLDERS' MEETING OF 27 April 2023
in office until the approval of the financial statements at 31.12.2025

<u>Chairman</u>	Emiliano Barcaroli
<u>Statutory Auditors</u>	Rodolfo Anghileri Stefania Chiaruttini
<u>Alternate Auditors</u>	Stefano Antonini Silvia Re Erminio Beretta

General Management

<u>Chief Executive Officer and General Manager</u>	Alessandro Maria Decio
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Financial Reporting Manager as per Article 154-bis TUF

<u>Financial Reporting Manager</u>	Mauro Walter Colombo
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Independent Auditors

<u>Independent Auditors</u>	KPMG S.p.A.
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The Banco Desio Group

The scope of consolidation of the Banco Desio Group at 30 June 2024 includes the following companies:

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



100.00%



89.23%



60.00%



15.00%

DYNAMICA AGENZIA S.R.L.



Dynamica Retail S.p.A. ("Dynamica Retail") and its subsidiary Dynamica Retail Agenzia in Attività Finanziaria S.r.l. ("Dynamica Agenzia") are included in the scope of consolidation as of 1 June 2024, following the completion of the strategic agreement whereby Banco Desio acquired 89.23% of the share capital of Dynamica Retail.

Introduction

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

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

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

The balances shown in the financial statements and in the related detailed tables for the reference period express the effects deriving from the acquisition of Dynamica Retail S.p.A., as well as of its subsidiary Dynamica Retail Agenzia in Attività Finanziaria S.r.l., including those arising from the Purchase Price Allocation (PPA) process provisionally determined at the acquisition date (1 June 2024) pursuant to IFRS 3 Business Combinations.

Furthermore, it is noted that with reference to the balance sheet and income statement values compared at 31 December 2023 and 30 June 2023, respectively, the balances shown include the effects deriving from (i) the acquisition of the branches BU from the BPER Group, realised on 20 February 2023, including those deriving from the Purchase Price Allocation (PPA) process pursuant to IFRS 3 Business Combinations and (ii) the sale to Worldline Italia of the merchant acquiring business unit, which took place on 28 March 2023.

The economic values used for comparison have been restated due to the change in the amortised cost criterion applied by the subsidiary Fides in order to make it consistent with that adopted by the Parent Company.

In defining the contents of the explanatory notes, account was also taken of the indications of 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.

The specific disclosure dedicated to the description of the macroeconomic context in which this financial disclosure was prepared, characterised by the persistence of international geopolitical crises and the residual effects of the Covid-19 epidemic, as well as the uncertainties and significant risks resulting therefrom, is provided in the paragraph "Risks, uncertainties and impacts arising from international geopolitical crises, residual effects of the Covid-19 epidemic, climate risk and the macroeconomic context" (page 72); the consequences on the economy in general and on economic-financial performance in future years remain uncertain in relation to the possible evolutions of future scenarios that are outside the control of management.

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

Interim Report on Operations at 30 June 2024

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

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

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

These indicators are based on the European Securities and Markets Authority (ESMA) guidelines of 5 October 2015 (ESMA/2015/1415), incorporated in Consob Communication No. 0092543 of 3 December 2015. Adhering to the indications contained in the update of document "ESMA 32-51-370 – Questions and answers – ESMA Guidelines on Alternative Performance Measures (APMs)", published on 17 April 2020, no changes were made to the APIs and no new ad hoc indicators were introduced to separately highlight the effects of international geopolitical crises and the Covid-19 epidemic.

Balance sheet values

Amounts in Euro thousands	30.06.2024	31.12.2023	Changes	
			abs.	%
Total assets	18,313,639	18,555,255	-241,616	-1.3%
Financial assets	4,234,094	3,957,354	276,740	7.0%
Cash and cash equivalents ⁽¹⁾	1,180,377	1,655,187	-474,810	-28.7%
Loans with banks ⁽²⁾	353,072	343,818	9,254	2.7%
Loans to customers ⁽²⁾	11,649,957	11,653,626	-3,669	0.0%
Tangible assets ⁽³⁾	231,448	230,994	454	0.2%
Intangible assets	41,262	41,619	-357	-0.9%
Non-current assets and groups of assets held for sale ⁽⁴⁾	14,537	0	14,537	n.s.
Payables to banks	1,056,218	1,950,065	-893,847	-45.8%
Payables to customers ^{(5) (6)}	12,488,789	12,277,411	211,378	1.7%
Securities issued	2,826,982	2,509,819	317,163	12.6%
Equity (including Profit for the period)	1,396,027	1,354,015	42,012	3.1%
Own Funds	1,396,587	1,366,391	30,196	2.2%
Total indirect inflows	21,201,749	20,075,207	1,126,542	5.6%
of which Indirect inflows from ordinary customers	13,426,599	12,683,669	742,930	5.9%
of which Indirect inflows from institutional customers	7,775,150	7,391,538	383,612	5.2%

⁽¹⁾ At 30 June 2024, Cash and cash equivalents included the current accounts, demand deposits and the amount on demand of Euro 1.1 billion relating to cash in excess of the commitment to maintain the compulsory reserve, invested in overnight deposits (Euro 1.5 billion at the end of the previous period).

⁽²⁾ pursuant to Circular 262, the balance of the financial statements item includes Held-to-collect (HTC) debt securities recognised at amortised cost, which are shown under financial assets in these summaries, and does not include current accounts and demand deposits recognised under Cash and cash equivalents.

⁽³⁾ the balance of the item at 30 June 2024 includes the right of use (RoU Asset) amounting to Euro 56.4 million in respect of operating leases falling under the scope of IFRS16 Leases, which came into effect as of 1 January 2019.

⁽⁴⁾ the balance of the item at 30 June 2024 consists of NPL loans for which assignment contracts had been signed but not yet finalised.

⁽⁵⁾ 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.

⁽⁶⁾ Including inflows repurchase agreements with institutional customers in the amount of Euro 971 million (Euro 608 million at 31 December 2023).

Income statement values ⁽⁷⁾

Amounts in Euro thousands	30.06.2024	30.06.2023	Changes	
			abs.	%
Operating income	314,373	274,003	40,370	14.7%
of which Net interest income	192,147	168,585	23,562	14.0%
Operating expenses	162,127	148,840	13,287	8.9%
Result from operations	152,246	125,163	27,083	21.6%
Charges related to the banking system	6,855	6,798	57	0.8%
Current result after taxes	76,545	59,159	17,386	29.4%
Non-recurring result after taxes	1,347	134,186	-132,839	n.s.
Profit (loss) for the period	78,088	193,345	-115,257	-59.6%

⁽⁷⁾ from Reclassified Income Statement.

Equity, economic and risk ratios

	30.06.2024	31.12.2023	Changes abs.
Equity/Total assets	7.6%	7.3%	0.3%
Equity/Loans to customers	12.0%	11.6%	0.4%
Equity/Payables to customers	11.2%	11.0%	0.2%
Equity/Securities issued	49.4%	53.9%	-4.5%
Common Equity Tier1 (CET1)/Risk-weighted assets ^{(8) (9)}	17.6%	17.2%	0.41%
Total Tier 1 capital (T1)/Risk-weighted assets ^{(8) (9)}	17.6%	17.2%	0.41%
Total Own funds/Risk-weighted assets (Total capital ratio) ^{(8) (9)}	18.4%	18.0%	0.41%
Financial assets/Total assets	23.1%	21.3%	1.8%
Loans with banks/Total assets	1.9%	1.9%	0.0%
Loans to customers/Total assets	63.6%	62.8%	0.8%
Loans to customers/Direct inflows from customers	76.1%	78.8%	-2.7%
Payables to banks/Total assets	5.8%	10.5%	-4.7%
Payables to customers/Total assets	68.2%	66.2%	2.0%
Securities issued/Total assets	15.4%	13.5%	1.9%
Direct inflows from customers/Total assets	83.6%	79.7%	3.9%
	30.06.2024	30.06.2023	Changes abs.
Operating expenses/Operating income (Cost/Income ratio)	51.6%	54.3%	-2.7%
(Operating expenses + Banking-related expenses)/Operating income (Cost/Income ratio)	53.8%	56.8%	-3.0%
Net interest income/Operating income	61.1%	61.5%	-0.4%
Result from operations/Operating income	48.4%	45.7%	2.7%
Current result after taxes/Equity - annualised ^{(10) (11)}	12.0%	10.0%	2.0%
Profit for the year/Equity ⁽¹⁰⁾ (R.O.E.) - annualised ^{(11) (12)}	12.1%	21.6%	-9.5%
Current result before taxes/Total assets (R.O.A.) - annualised ⁽¹¹⁾	1.3%	0.9%	0.4%
	30.06.2024	31.12.2023	Changes abs.
Net bad loans/Loans to customers ⁽¹³⁾	0.5%	0.4%	0.1%
Net non-performing loans/Loans to customers ⁽¹³⁾	1.8%	1.7%	0.1%
% Coverage of bad loans ⁽¹³⁾	69.7%	69.6%	0.1%
% Coverage of bad loans before write-offs ⁽¹³⁾	70.0%	69.9%	0.1%
% Total coverage of non-performing loans ⁽¹³⁾	48.6%	48.8%	-0.2%
% Coverage of non-performing loans before write-offs ⁽¹³⁾	48.8%	49.0%	-0.2%
% Coverage of performing loans ⁽¹³⁾	0.92%	0.97%	-0.05%

Structure and productivity data

	30.06.2024	31.12.2023	Changes abs.	%
Number of employees	2,488	2,391	97	4.1%
Number of branches	273	280	-7	-2.5%
<i>Amounts in Euro thousands</i>				
Loans to customers per employee ⁽¹⁴⁾	4,776	5,172	-396	-7.7%
Direct inflows from customers per employee ⁽¹⁴⁾	6,278	6,563	-285	-4.3%
	30.06.2024	30.06.2023	Changes abs.	%
Operating income per employee ⁽¹⁴⁾ - annualised ⁽¹¹⁾	256	258	-2	-0.8%
Result from operations per employee ⁽¹⁴⁾ - annualised ⁽¹¹⁾	123	116	7	6.0%

⁽⁸⁾ Consolidated equity ratios calculated for Banco Desio. The ratios referred to the prudential supervisory scope of Brianza Unione at 30 June 2024 are: Common Equity Tier1 12.5%; Tier 1 13.3%; Total Capital Ratio 15.2%.

⁽⁹⁾ Equity ratios at 30.06.2024 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 17.5%; Tier 1 17.5%; Total capital ratio 18.3%.

⁽¹⁰⁾ net of the result for the period.

⁽¹¹⁾ the 2023 year-end figure at 30.06.2024 is shown.

⁽¹²⁾ the annualised ROE at 30.06.2024 does not consider the annualisation of the Net non-recurring operating result.

⁽¹³⁾ net of Assets held for sale with reference to 30.06.2024.

⁽¹⁴⁾ based on the number of employees as the arithmetic mean between the period-end figure and the previous year-end figure.

Macroeconomic scenario

The macroeconomic framework

International Scenario

The first quarter of 2024 confirmed the resilience of the world's major economies. As expected, US GDP slowed down (+0.4% vs +0.8% in the fourth quarter of 2023), although annual growth remained strong (+3%). In the Euro Area, on the other hand, GDP accelerated more than expected (+0.3% vs. - 0.1% in the fourth quarter of 2023) due to improved growth in all major countries. China's GDP grew by +5.3% year-on-year, broadly in line with the fourth quarter of 2023.

Inflation is falling more slowly than desired/expected almost everywhere in the world economy, along a bumpy path. The Federal Reserve Bank and the European Central Bank, as well as many other central banks, are waiting for clearer signals on the path of convergence of inflation to the price stability objective before embarking decisively on easing monetary conditions, in order to minimise the risk of new inflationary flare-ups (and subsequent tighter restrictions) in the event of too early an intervention.

In May, the consumer price index stabilised in the US at 3.3%, while in the Euro Area, the estimate for June shows inflation at 2.5%, broadly stable since February due to the gradual reduction of the negative contribution of energy products. In China, inflation remained around zero, suggesting continued weakness in domestic demand.

Political dynamics are a source of great uncertainty: the international scenario is dominated by the expectation of the outcome of the US presidential elections in November.

In Europe, the French and German governments emerged weakened by the outcome of the European elections. The implication is that the Franco-German axis will increasingly struggle to be the traditional driver of European decisions. Markets reacted nervously to this possibility, the euro depreciated slightly and yields on government bonds of high debt countries rose. Political fragilities could complicate important choices for the future of the area. Indeed, important decisions are piling up for the coming months. While the G7 recent decision to extend a USD 50 billion loan to Ukraine financed by interest on Russia's assets held predominantly in the EU has found a solution for the time being, the position to be taken by the EU with regard to trade relations with China, as well as the further progress to be made in the integration process (capital market union, completion of the banking union), are much less shared among the various member states.

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 higher financing costs. The support for low and medium incomes 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

The economy slowed at the beginning of the year with a 0.35% change in GDP compared to the previous quarter and 0.8% in the fourth quarter of 2023. This slowdown was mainly due to lower domestic spending, except for residential investments, and the negative contribution of real net exports (-0.25%). A "soft-landing" is expected for the economy, despite the slow decline in inflation and the risk of a strengthening of price/wage effects.

The labour market remained robust, with 170 thousand new jobs created in April and a strong expansion in demand in May with over 270 thousand new jobs. The growth of hourly wages (4.2%) exceeds that of consumer prices (3.3%), providing households with an increase in nominal disposable income of 4.3% in the first quarter of 2024.

Inflation was 3.2% in May, with the largest contribution from figurative leases. The risk of a new real estate cycle could mitigate the decline in real estate prices observed in 2022. The pace of GDP growth is expected to stabilise in the second quarter of 2024, with a "soft-landing" of the economy evident in 2025 (1.8%) after an average annual growth in 2024 similar to that of 2023 (2.3% vs. 2.5%).

Japan

Japan's GDP contracted by 0.7% in the first quarter of 2024, with declines in all the main demand components: consumption (-0.8%), investment in machinery and equipment (-0.4%) and exports (-5.1%), the latter caused by the weakness of global demand, especially from Europe and Asia. Exports also continued to decline in the first months of the second quarter, affecting the manufacturing industry. However, the PMI shows an improvement in the domestic situation, exceeding the 50 level due to stable production and domestic demand. Producer prices rose, prompting companies to revise their price lists upwards, and inflation reached 2.5% in April. The end of electricity and gas subsidies could accelerate price increases. The yen exchange rate stabilised below 160 yen per dollar, encouraging further inflationary pressures.

Spring wage bargaining may have increased inflation, leading the Central Bank of Japan (BOJ) to a possible rate hike after abandoning its negative rate policy in March. Despite the gradual rise in long-term rates, monetary policy will remain expansionary to foster the recovery of the yen and support consumption and investment. However, economic growth remains weak and subject to geopolitical risks, particularly concerning China, an important market for Japanese exports.

Emerging economies

China's GDP in the first quarter of 2024 increased by 1.6% compared to the previous quarter and 5.3% compared to the same period last year. However, leading indicators point to a widespread slowdown in the economy. Industrial production declined in growth to 5.6%, as did gross fixed capital formation, which recorded a positive change in January-May of 4%, mainly supported by state-owned enterprises. Private investment, on the other hand, remained stagnant due to several factors: on the one hand, the strong deceleration in terms of investment growth in the automotive and high-tech sectors; on the other hand, the negative effect from the real estate sector, which continues to weigh on the entire economic system.

In addition to this, the figures for goods transport and consumption were also down, the latter growing by 3.7% for retail sales, which is not positive considering the presence of incentives that could therefore mask greater weakness. Inflation remains close to zero, with import prices rising slightly and producer prices falling, suggesting a prolonged period of low inflation. In contrast to the data so far, the PMI indicators are characterised by greater optimism, with the manufacturing sector at 51.8 and the services sector at 51.7.

There is also a good trend in employment figures. Much of the future growth will be ensured by the solution of the housing market crisis, which, however, seems far away. For this reason, the government implemented a new rescue package for the construction sector. The negative contribution of this sector and geopolitical threats to exports make it likely that growth will be just over 4% in the coming years.

In the first quarter of 2024, the Indian economy recorded a trend growth rate of 7.8%, slightly lower than at the end of 2023. Consumption grew by 4% and public consumption resumed growth after an earlier decline. Investments increased by 6.5%, but decreased from the previous quarter by 3%. Despite some signs of a slowdown, economic indicators point to a healthy economy, especially considering the purchasing managers index (PMI). Industrial production grew by 5% in April, while energy consumption and commercial traffic grew at rates above 9%. Retail sales and the car market were lacklustre. Growth of around 8% in real net imports and exports contrasted with the deterioration in the trade balance. In May, the inflation rate was low at 4.7%, thanks to the successful fight against inflation. The elections confirmed confidence in the outgoing government but could slow down the implementation of reforms.

Euro Area

In the first quarter of 2024, economic activity in the Euro Area grew by 0.3 %, for the first time after 18 months of stagnation. The sectors that drove the economy were services and partly construction, in contrast to the manufacturing sector, which continues to experience difficulties.

All major countries experienced economic growth, especially Spain and Italy (+0.8% and +0.3%). Compared to the first quarter of the previous year, the GDP of all major countries increased, with the exception of Germany. It is estimated that the growth trend can be confirmed in the second quarter, supported in particular by consumers.

In Germany, household spending fell by 0.4%, while there was a 0.3% growth in investment. The industrial sector contracted mainly due to the dynamics of the energy component, while the service sector grew moderately. In France, there was growth in household spending while there was a contraction in construction investment and manufacturing.

Overall in the Euro Area, household spending grew, while there was a contraction in capital investment. Qualitative surveys have yielded positive results for consumers, while among businesses there is more uncertainty. In this regard, the index of industrial production is contracting in Spain and Italy, while it is growing in France and Germany.

In the first quarter of 2024, after the inflationary flare-up of 2021 and 2022, all European countries are embarking on a disinflationary path, as a result of restrictive monetary policies and the resulting impact on final demand. Manufacturing producer prices have been falling since July 2023, the same trend as consumer prices, which have stabilised in recent months. Since February 2024, Euro Area inflation has stabilised at 2.5%.

Italy

Italy performed well in the first quarter of 2024. GDP growth of 0.3% compared to the previous quarter was the result of a positive contribution from both foreign and domestic demand (0.7 and 0.3 percentage points, respectively), offset by a negative contribution from inventories.

The improvement in domestic demand was driven by both household spending and investments: of these, the only component that did not grow was machinery and equipment, which was nevertheless still 17% higher than at the end of 2019; the construction sector also grew. Foreign demand saw an increase in exports, albeit only of services, while imports suffered a widespread decline. On the supply side, economic

activity was mainly supported by services, despite a new decline, the second consecutive one, in the main sector of trade, transport, accommodation and catering (-0.1%). Finally, manufacturing continues to experience stagnation, which has been going on for two years now.

The capital market and the banking system in Italy

Money and financial markets

At its June 2024 meeting, the Governing Council of the European Central Bank cut key interest rates by 25 basis points. The decision followed an updated assessment that indicated a decline in inflation of more than 2.5 percentage points since the September 2023 meeting and a decline in the inflation outlook over all horizons. The European Central Bank warned that despite recent progress, there are still strong domestic price pressures due to high wage growth. Therefore, inflation is likely to remain above target for much of next year. The Governing Council will adopt a data-driven approach, taking decisions at every meeting.

In June 2024, for the seventh consecutive time, the Federal Reserve decided to keep interest rates unchanged, confirming the range between 5.25% and 5.50%. The FOMC (Federal Open Market Committee) will continue to closely monitor macroeconomic data, the evolution of the economic outlook and the balance of risks. A rate cut is not expected until there is confidence that inflation is approaching the 2% target in a sustainable manner. The Federal Reserve Bank expects only one quarter-point rate cut in 2024, compared to the three 25-point cuts assumed last March. In 2025, four cuts are planned, which could bring the reference rate down to 4-4.25%. In the long term, the reference rate is expected to stabilise between 2.5% and 3%.

In the first ten days of June, the 3-month Euribor was down (3.76% vs 3.81% the previous month); the 10-year IRS rate, on the other hand, was 2.80% (unchanged on a monthly basis). On the bond markets, 10-year benchmark rates decreased in the USA (4.49% formerly 4.54%) and in the Euro Area; in detail, in Germany the benchmark rate settled at 2.52% (formerly 2.44%), while in Italy it was 3.82% (formerly 3.83% the previous month and 4.17% twelve months prior).

International share prices recorded positive trend dynamics on a monthly basis. In detail, the Dow Jones Euro Stoxx rose 2.2% month-on-month (+12.2% y/y), the Standard & Poor's 500 rose 2.5% (+26.3% y/y), the Nikkei 225 fell 0.5% (+28.4% y/y). The main European stock exchange indices showed positive monthly performances; the FTSE Mib rose 1.4% (+27.9% y/y), in France the Cac40 rose 0.4% (+9.9% y/y), in Germany the Dax30 rose 2.7% (+16.4% y/y). With reference to the main banking indices, the indicators showed upward monthly trends: the Italian FTSE Banks rose by 4.6% month-on-month (+66.5% y/y), the Dow Jones Euro Stoxx Banks by 3.9% (+42.6% y/y) and the S&P 500 Banks rose by 3.3% month-on-month (+42% y/y).

Banking markets

With reference to the banking market, in the first half of 2024, the annual trend in inflows from resident customers was positive (+1.9%). Within this, short-term deposits fell slightly (-0.1%), while bonds were up (+18.1%). The growth of volumes was accompanied by an increase in the cost of total remuneration (1.26%, formerly 0.93% in June 2023). On the lending front, the latest available data show weakness in the private sector (-2.2%) due to the dynamics of construction affected by the increase in mortgage rates and the disposal of part of the tax bonuses introduced by the government; the sector is affected by the dynamics of loans to businesses (-2.3%) despite the resilience of loans to households (-0.1%, supported by consumer credit). The dynamics of credit to the productive sector continue to be influenced by the trend in investments and the business cycle, which, despite public support implemented, remains moderate and fluctuating. In June, lending rates to households and businesses increased (4.81% formerly 4.25% at June 2023). Within these, the rate on loans to households for house purchases stood at 3.61% (formerly 4.27% in June 2023), while loans to businesses stood at 5.21% (formerly 5.04% at June 2023).

Distribution channels

The Banco Desio Group 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. Added to this distribution network is the network of agents and brokers operating throughout the country, which is used by the subsidiary Fides and, from 1 June 2024, Dynamica Retail S.p.A., together with its subsidiary, Dynamica Retail Agenzia, following the execution of the strategic agreement whereby Banco Desio acquired 89.23% of the Dynamica share capital (for further details, please refer to the following section on "Significant corporate events during the period").

Moreover, during the first half of the year, as part of the rationalisation and optimisation of the Group's distribution model, following the acquisition of the bank branches BU carried out in 2023 from the BPER Group, the Banco Desio Group closed 7 branches in geographical overlap, transferring the relationships to branches in the same municipality.

Therefore, at 30 June 2024, the distribution structure consisted of 273 branches (compared to the previous year-end figure of 280), 51 financial stores opened under the banner of the subsidiary Fides and 23 financial stores under the Dynamica banner.

In addition, with reference to the subsidiaries Fides and Dynamica, the signing is noted of 11 and 10 Credit Brokerage Agreements, respectively, to support the multi-channel distribution logic.

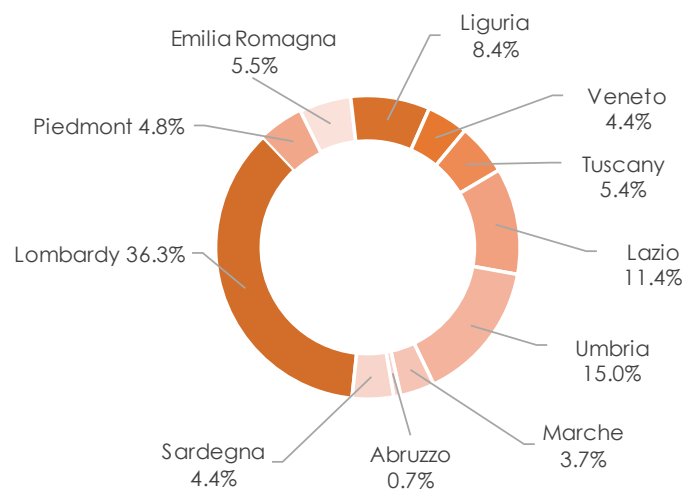
In the current context, which is constantly and rapidly changing, Italian banking customers are becoming increasingly digital. In particular, there has been double-digit growth in internet usage and self channels in recent years. To respond to customer needs and in line with the latest market trends, the Banco Desio Group 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; in addition, a central structure for the commercial and operational coordination of the Small Business segment was set up during the reference half-year, with the consequent creation of new professional network figures of "POE Managers" and "Family POE Managers";
- 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 distribution network by region.

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



The table below provides a breakdown of the Group's branches with an indication of those with financial advisors and private bankers at the end of the first half of the year, in comparison with the final balance for the year 2023.

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

Breakdown by region	30.06.2024					31.12.2023				
	Banco Desio Branches	of which branches with financial advisors	of which branches with private bankers	Fides Financial Stores	Dynamica Financial Stores	Banco Desio Branches	of which branches with financial advisors	of which branches with private bankers	Fides Financial Stores	
Lombardy	99	8	27	5	0	99	8	27	4	
Piedmont	13	5	4	5	1	13	5	4	5	
Emilia Romagna	15	5	5	4	2	17	4	5	4	
Liguria	23	2	4	0	0	24	2	4	0	
Veneto	12	3	2	1	0	12	3	1	1	
Friuli Venezia Giulia	0	0	0	1	0	0	0	0	0	
Tuscany	15	0	2	6	0	16	0	2	6	
Lazio	31	1	2	3	5	33	1	2	2	
Umbria	41	5	5	2	0	41	5	5	2	
Marche	10	6	2	4	0	10	6	2	4	
Abruzzo	2	1	0	3	1	2	1	0	3	
Sardinia	12	0	0	2	1	13	0	0	2	
Basilicata	0	0	0	0	1	0	0	0	0	
Calabria	0	0	0	5	4	0	0	0	5	
Campania	0	0	0	3	3	0	0	0	3	
Apulia	0	0	0	2	0	0	0	0	1	
Sicily	0	0	0	5	5	0	0	0	4	
Total	273	36	53	51	23	280	35	52	46	

Significant corporate events during the period

Approval of the financial statements and allocation of the 2023 result

The Ordinary Shareholders' Meeting held on 18 April 2024 approved the financial statements 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 was 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" were 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.

Further resolutions were passed on the following topics:

- Annual report on remuneration policy and remuneration paid
- Annual incentive plan based on the award of "Phantom Shares"
- Authorisation to purchase and sell ordinary treasury shares
- Appointment of a Director pursuant to article 15, paragraph 3 of the Articles of Association

Securitisation 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.

Inspections

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 protecting customers" (so-called banking transparency), for which a remedial plan was requested. This plan, in addition to including procedural and organisational projects that the Bank is currently implementing, also provides for the repayment of certain commissions to customers which, in the operational risk assessment carried out for the purposes of this Half-Year Financial Report, have been the subject of the best estimate on the basis of the most recent investigations and assessments carried out as part of the ongoing proceedings.

On 9 April 2024, the Bank of Italy also 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), for which the Bank is implementing appropriate improvement measures.

Agreement with Banca Popolare di Puglia e Basilicata to acquire 14 branches

On 16 May 2024, Banco Desio signed with Banca Popolare di Puglia e Basilicata S.C.p.A. ("BPPB") an agreement for the acquisition of a business unit consisting of a total of 14 bank branches located in Lazio, Lombardy, Veneto, Marche and Piedmont (the "Business Unit" or, more briefly, the "Branch").

The acquisition of the Business Unit is consistent with the objectives of the Banco Desio Group's Business Plan "Beyond26" aimed at further consolidating its position as a proximity bank in the retail and SME customer segments. The acquisition of the Business Unit will allow new customers to access the products and services of the Banco Desio Group and will offer an opportunity for stability and professional growth to new employees.

The Business Unit includes a gross banking product at 31 December 2023 of approximately Euro 870 million and approximately 17,000 retail and SME customers, as well as assets, liabilities and legal relationships related to them. The transaction will increase the number of customers by 3.6%, total loans by 3.0% and total inflows from ordinary customers by 2.4%.

The achievement of the estimated cost and revenue synergies will allow operational and commercial efficiency with a positive contribution to net profit as early as 2025.

On 19 July, Banco Desio received the measure of the Prime Minister's Office of the non-applicability of the golden power regulation.

Conclusion of the periodic prudential review process ("SREP")

On 27 May 2024, Banco Desio disclosed the capital decision taken by the Bank of Italy at the conclusion of the periodic prudential review process ("SREP"), keeping the capital requirements for the "CRR" Brianza Unione Group at consolidated level unchanged from 2023, as shown below:

- 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.

For further details, please refer in full to the relevant press release published on the Bank's institutional website.

Entry into the share capital of Dynamica Retail S.p.A.

On 31 May 2024, following the completion of the authorisation procedures and in execution of the Agreements announced on 31 January of this year, which are the subject of a press release to which reference should be made, the "closing" of the transaction was finalised involving the entry of Banco Desio into the share capital of Dynamica Retail through the purchase of the majority of the share capital and the subscription of a capital increase reserved for Banco Desio (the "Transaction").

The Transaction, which allowed Dynamica Retail, as well as its subsidiary, Dynamica Agenzia, to enter the perimeter of the banking group effective 1 June, took place mainly through the subscription of a reserved capital increase of Euro 6.4 million.

Upon completion of the Transaction, Banco Desio holds an 89.23% stake in the Company's share capital, while the remaining stake is held by Dynamica managing shareholders, who will continue to contribute to the Company's growth within the Banco Desio Group.

Dynamica Retail is a company active in the provision of salary-backed loans and payment delegation to private customers. The Transaction contributes to the realisation of the "Beyond 2026" Business Plan, particularly in the consumer lending activities already overseen by the subsidiary Fides S.p.A., which will play a central role in the integration of Dynamica into the Group.

Authorisation to purchase and sell treasury shares

The Board of Directors of Banco di Desio e della Brianza S.p.A. ("Banco Desio"), on 30 July 2024, having acknowledged the authorisation provision issued on 12 July 2024 by the Bank of Italy pursuant to Articles 77 and 78 of Reg. EU No. 575/2013 ("CRR"), resolved to commence the operation of the share buyback programme (the "Programme") authorised by the Meeting on 18 April 2024 on the proposal of the Board.

The main purpose of the Programme is to optimise capital with respect to the prospective needs of the Banco Desio Group.

The Programme concerns 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, at a unit price that is no higher than the highest price between the price of the last independent transaction and the price of the highest current independent bid on the trading venues where the purchase is made, it being understood that it cannot in any case be 10% lower in the minimum and 10% higher in the maximum with respect to the average of the official price recorded by the Banco Desio share in the 10 trading days prior to each individual purchase transaction. Regardless of the countervalue, Banco Desio undertook not to exceed the maximum amount of treasury shares that can be purchased according to the applicable regulations, i.e. the aforementioned 4,030,891 shares.

Purchases will be made, as of 31 July 2024, on the market 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. Banco Desio has appointed Equita SIM S.p.A. ("Equita") as the intermediary that will execute the Programme.

The authorisation to purchase treasury shares was granted by the Meeting 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, so that the authorisation will expire on 12 July 2025. The authorisation to sell treasury shares was granted by the Meeting itself without time limits.

At the date of approval of this Half-Year Financial Report (30 July 2024), Banco Desio did not hold any treasury shares.

Sustainability and climate-environmental risk

In the reporting period, Banco Desio continued to implement the "Masterplan E(SG)" transformation programme for the progressive integration of sustainability factors into the decision-making system, starting with climate-environmental risks.

The overall medium-term programme was drawn up, according to the expectations of the National and European Supervisory Authorities published on the subject, in order to progressively achieve 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 and European supervisory authorities;*
- *Publishing integrated sustainability reporting, in line with the requirements defined by the European Commission on non-financial climate-related disclosure.*

Sustainability has thus become one of the pillars of the 2024-2026 Business Plan "Beyond26"; 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 the implementation (in line with the schedule) of the project activities, which were enriched towards the end of 2023 with further initiatives in line with the targets of the new "Beyond 26" business plan, the qualifying aspects that emerged from the ongoing dialogue with the National Supervisory Authority were emphasised in the reporting period. In particular, the good practices referred to in the analysis of the action plans developed by the Less Significant Institutions (LSI) that the Bank of Italy published on 28 December 2023 were examined and the 2024-25 business plan was further refined with certain initiatives in light of the published evidence.

Through the marked sustainability connotation of the new "Beyond26" Business Plan, called "ESG Infusion", the Group aims to become the best proximity bank in Italy through innovation, digital and proximity to customers.

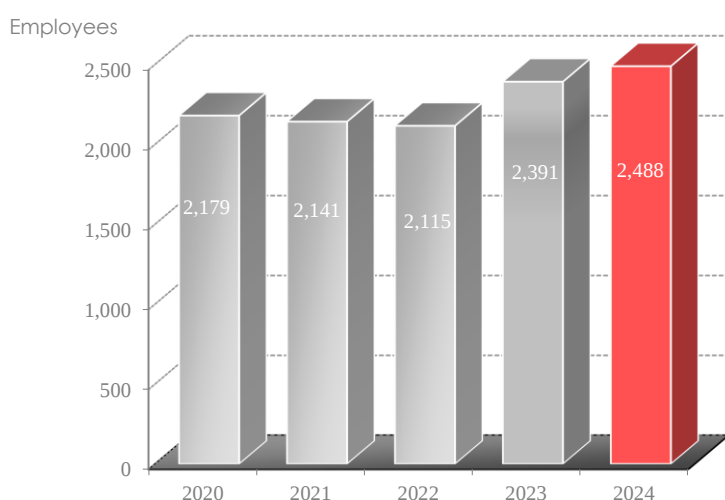
Human resources

At 30 June 2024, the Group employed 2,488 people, an increase of 97 resources compared to the previous year-end figure.

This increase is mainly attributable to the execution, in the half-year in question, of the strategic agreement better described in the previous section "Significant corporate events during the period" with which the Parent Company acquired control of the Dynamica financial group from 1 June 2024.

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

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



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

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

No. Employees	30.06.2024					31.12.2023				
	Women	Incidence %	Men	Incidence %	Total	Women	Incidence %	Men	Incidence %	Total
Group employees	1,086	43.6%	1,402	56.4%	2,488	1,050	43.9%	1,341	56.1%	2,391
Managers	4	13.3%	26	86.7%	30	4	14.8%	23	85.2%	27
Middle managers	388	31.6%	838	68.4%	1,226	374	31.9%	799	68.1%	1,173
Remaining personnel	694	56.3%	538	43.7%	1,232	672	56.4%	519	43.6%	1,191
External collaborators	37	32.7%	76	67.3%	113	36	32.1%	76	67.9%	112
Financial advisors	10	16.1%	52	83.9%	62	9	15.0%	51	85.0%	60
Other collaborators	27	52.9%	24	47.1%	51	27	51.9%	25	48.1%	52
Total resources	1,123	43.2%	1,478	56.8%	2,601	1,086	43.4%	1,417	56.6%	2,503

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

No. Employees	30.06.2024					30.06.2023				
	Women	Incidence %	Men	Incidence %	Total	Women	Incidence %	Men	Incidence %	Total
Group employees	54	43.2%	71	56.8%	125	171	51.5%	161	48.5%	332
Managers	1	20.0%	4	80.0%	5	0	0.0%	1	100.0%	1
Middle managers	20	37.0%	34	63.0%	54	31	31.0%	69	69.0%	100
Remaining personnel	33	50.0%	33	50.0%	66	140	60.6%	91	39.4%	231
External collaborators	14	48.3%	15	51.7%	29	17	39.5%	26	60.5%	43
Financial advisors	3	27.3%	8	72.7%	11	0	0.0%	7	100.0%	7
Other collaborators	11	61.1%	7	38.9%	18	17	47.2%	19	52.8%	36
Total resources ⁽¹⁾	68	44.2%	86	55.8%	154	188	50.1%	187	49.9%	375

(1) This item includes entries relating to the personnel of Dinamica Retail S.p.A. and Dinamica Agenzia Srl

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

No. Employees	30.06.2024					30.06.2023				
	Women	Incidence %	Men	Incidence %	Total	Women	Incidence %	Men	Incidence %	Total
Group employees	18	64.3%	10	35.7%	28	13	29.5%	31	70.5%	44
Managers	1	50.0%	1	50.0%	2	0	n.s.	0	n.s.	0
Middle managers	7	58.3%	5	41.7%	12	2	13.3%	13	86.7%	15
Remaining personnel	10	71.4%	4	28.6%	14	11	37.9%	18	62.1%	29
External collaborators	10	55.6%	8	44.4%	18	4	26.7%	11	73.3%	15
Financial advisors	1	33.3%	2	66.7%	3	0	0.0%	5	100.0%	5
Other collaborators	9	60.0%	6	40.0%	15	4	40.0%	6	60.0%	10
Total resources	28	60.9%	18	39.1%	46	17	28.8%	42	71.2%	59

Table No. 5 - BREAKDOWN OF GROUP RESOURCES BY AREA

No. Employees	30.06.2024					31.12.2023				
	Women	Incidence %	Men	Incidence %	Total	Women	Incidence %	Men	Incidence %	Total
General Management and operational support	307	43.8%	394	56.2%	701	300	43.9%	384	56.1%	684
Employees	281	43.0%	372	57.0%	653	273	43.2%	359	56.8%	632
Other collaborators	26	54.2%	22	45.8%	48	27	51.9%	25	48.1%	52
Distribution network	816	42.9%	1,084	57.1%	1,900	786	43.2%	1,033	56.8%	1,819
Employees	805	43.9%	1,030	56.1%	1,835	777	44.2%	982	55.8%	1,759
of which Private Bankers	16	21.3%	59	78.7%	75	15	20.5%	58	79.5%	73
Other collaborators	1	33.3%	2	66.7%	3	0	0.0%	0		0
Financial advisors	10	16.1%	52	83.9%	62	9	15.0%	51	85.0%	60
Total resources	1,113	43.8%	1,426	56.2%	2,539	1,077	44.1%	1,366	55.9%	2,443

Operating performance

The collection of savings: customers' assets under administration

Total customer assets under administration at 30 June 2024 amounted to about Euro 36.5 billion, an increase of about Euro 1.7 billion (+4.7%) compared to the balance at year-end 2023, attributable to the performance of indirect (+5.6%) and direct (+3.6%) inflows.

The following tables show the development of funding in the reporting period and the breakdown of direct and indirect funding, respectively.

Table No. 6 - TOTAL INFLOWS FROM CUSTOMERS

Amounts in Euro thousands	30.06.2024	Incidence %	31.12.2023	Incidence %	Changes	
					Value	%
Payables to customers	12,488,789	34.2%	12,277,411	35.2%	211,378	1.7%
Securities issued	2,826,982	7.7%	2,509,819	7.2%	317,163	12.6%
Direct inflows	15,315,771	41.9%	14,787,230	42.4%	528,541	3.6%
Inflows from ordinary customers	13,426,599	36.8%	12,683,669	36.4%	742,930	5.9%
Inflows from institutional customers	7,775,150	21.3%	7,391,538	21.2%	383,612	5.2%
Indirect inflows	21,201,749	58.1%	20,075,207	57.6%	1,126,542	5.6%
Total inflows from customers	36,517,520	100.0%	34,862,437	100.0%	1,655,083	4.7%

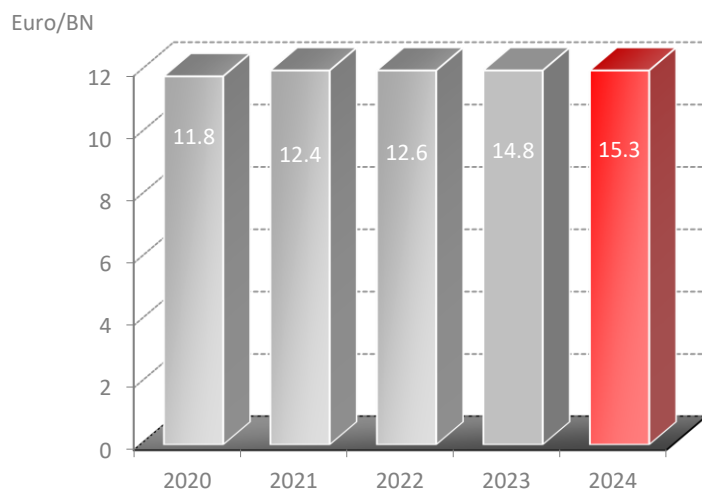
Direct inflows

Direct inflows amounted to around Euro 15.3 billion, up by 3.6% compared to 31 December 2023, due to the growth in securities issued (+12.6%) and payables to customers (+1.7%).

Table No. 7 - DIRECT INFLOWS

Amounts in Euro thousands	30.06.2024	Incidence %	31.12.2023	Incidence %	Changes	
					Value	%
Payables to customers	12,488,789	81.5%	12,277,411	83.0%	211,378	1.7%
Current accounts and deposits	10,704,771	69.9%	11,129,419	75.2%	-424,648	-3.8%
current accounts and demand deposits	9,905,057	64.7%	10,116,726	68.4%	-211,669	-2.1%
fixed-term deposits and restricted current accounts	799,714	5.2%	1,012,693	6.8%	-212,979	-21.0%
Repurchase agreements and securities lending	971,485	6.3%	607,636	4.1%	363,849	59.9%
Loans and other payables	812,533	5.3%	540,356	3.7%	272,177	50.4%
Securities issued	2,826,982	18.5%	2,509,819	17.0%	317,163	12.6%
bonds at amortised cost and liabilities measured at fair value	2,826,773	18.5%	2,509,466	17.0%	317,307	12.6%
certificates of deposit and other securities	209	0.0%	353	0.0%	-144	-40.8%
Direct inflows	15,315,771	100.0%	14,787,230	100.0%	528,541	3.6%

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



On the funding side, the parent company Banco Desio showed a focus on diversification of funding sources. In this regard, it placed five of its own bond issues on its network for a total nominal amount of Euro 153.2 million and increased the Covered Bond issue by Euro 100 million, thus bringing the size to Euro 500 million.

In February, a portfolio of loans disbursed to Italian SMEs by Banco Desio was sold for a consideration, en bloc and without recourse, at a transfer price of approximately Euro 536 million, partially guaranteed by MCC, to Desio SME SPV Srl, a securitisation vehicle set up specifically for this purpose. The Securitisation Transaction was finalised with the issuance, in March, of two classes of Notes, a Senior A2 (Euro 145 million) and a Junior B (Euro 198 million) fully subscribed by Banco Desio, and a Senior Loan A1 (Euro 200 million) issued by JP Morgan Milan Branch.

Funding activities with Cassa Depositi e Prestiti also continued in the reporting period, based on the "Companies Platform" ceiling dedicated to access to credit for the various product sectors, with the aim of fostering a greater flow of medium- to long-term resources. In the first half of the year, a total of Euro 117 million was drawn, distributed between fixed rate (Euro 57 million) and variable rate (Euro 60 million). The total exposure (outstanding debt) at 30 June 2024 was Euro 334 million.

The renewal of the Long Term repo with ABS Lumen SPV and GACS 2Worlds as underlying securities was also finalised in June. The main terms of the renewal concerned the reformulation of the repayment profile (from cash equivalent to amortising) and the increase of the cash amount (from Euro 100 million to Euro 116.2 million), as well as the adjustment of the new economic terms (duration, rate, etc.).

Indirect inflows

Indirect inflows amounted to Euro 21.2 billion (+5.6%) at 30 June 2024. Funding from ordinary customers stood at 13.4 billion euros, an increase of 5.9% compared to the end of the previous year; the trend was attributable to both inflows from the performance of the assets under management segment (+2.8%) and assets under administration (+11.3%).

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

Table No. 8 - INDIRECT INFLOWS

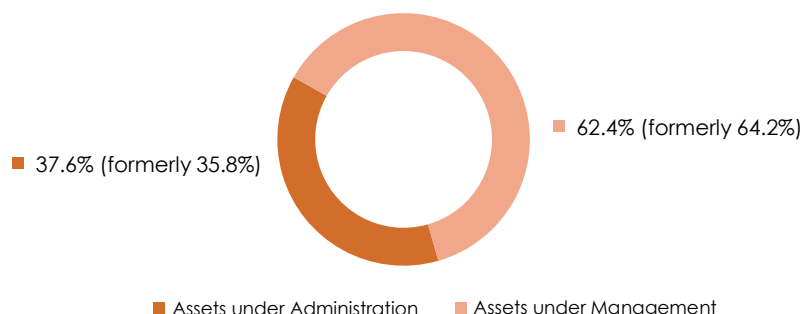
Amounts in Euro thousands	30.06.2024 Incidence %		31.12.2023 Incidence %		Changes	
					Value	%
Assets under Administration	5,054,559	23.8%	4,541,442	22.6%	513,117	11.3%
Assets under Management	8,372,040	39.5%	8,142,227	40.6%	229,813	2.8%
Asset management	1,288,313	6.1%	1,230,806	6.1%	57,507	4.7%
Mutual funds and Sicav	4,102,953	19.4%	3,923,722	19.5%	179,231	4.6%
Banking-insurance products	2,980,774	14.0%	2,987,699	15.0%	-6,925	-0.2%
Inflows from ordinary customers	13,426,599	63.3%	12,683,669	63.2%	742,930	5.9%
Inflows from institutional customers ⁽¹⁾	7,775,150	36.7%	7,391,538	36.8%	383,612	5.2%
Assets under Administration	7,085,891	33.4%	6,741,530	33.6%	344,361	5.1%
Assets under Management	689,259	3.3%	650,008	3.2%	39,251	6.0%
Indirect inflows ⁽¹⁾	21,201,749	100.0%	20,075,207	100.0%	1,126,542	5.6%

(1) Inflows from institutional customers include securities on deposit underlying the Bancassurance segment of ordinary customers amounting to about Euro 2.1billion (at 31.12.2023 about Euro 2.1billion).

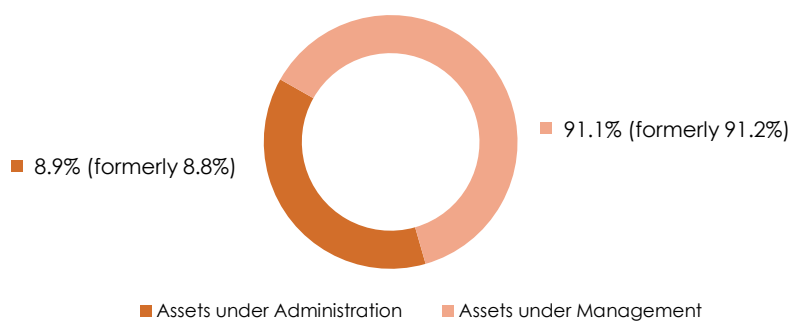
The in-depth investigations conducted on investments held by customers (securities, funds, asset management, etc.) relating to issuers based in Russia, Belarus and Ukraine, or in any case having the rouble as their issuing currency, have not so far revealed any significant risk profiles. Regarding the most recent ongoing conflicts in the Middle East region, no impact on client investments is evident to date.

The following graph shows the breakdown of indirect inflows from ordinary and institutional customers by segment at 30 June 2024, while the next one focuses on the components of assets under management in the same period, showing how there is an increasing incidence of inflows towards mutual funds and sicav.

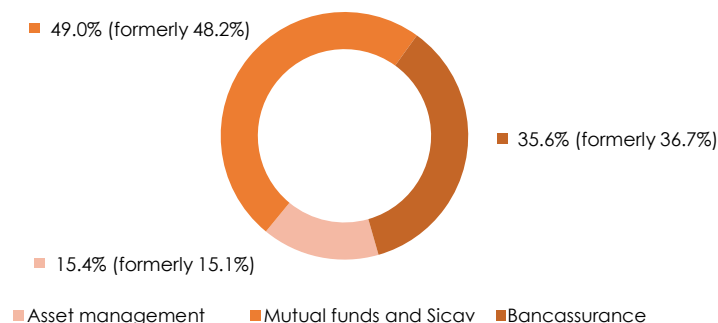
Graph No. 4 - BREAKDOWN OF INDIRECT INFLOWS FROM ORDINARY CUSTOMERS BY SEGMENT AT 30.06.2024



Graph No. 5 - BREAKDOWN OF INDIRECT INFLOWS FROM INSTITUTIONAL CUSTOMERS BY SEGMENT AT 30.06.2024



Graph No. 6 - BREAKDOWN OF INDIRECT INFLOWS BY ASSET UNDER MANAGEMENT COMPONENTS AT 30.06.2024



During the first part of the year, global growth performance was little better than expected, with upward surprises in China, where the government now seems intent on tackling the housing crisis more decisively, and in the Eurozone, more than offsetting downward ones in Japan and the US, where, however, growth in private domestic final demand remained robust.

In the second quarter of the year, in line with expectations, inflation also slowed down in the US. However, for the Federal Reserve Bank to proceed with a rate cut, it is necessary that the deceleration in price dynamics is also confirmed in the following months. After the 25 basis point cut in June 2024, the ECB is now well on its way to further loosening monetary policy.

In bond management, the portfolios maintained a duration weighting in line with the benchmark, concentrated in the government part. Recent inflation data signal a continuation of the disinflationary

path, but at a slower pace than expected at the beginning of the year. The latest macro data confirms the good health of the economy, confirming that spread bonds will make the biggest contribution to fixed income performance. Therefore, investment grade corporate bonds, financial subordinates, as well as high-yield and hard-currency emerging market issues were overweighted during the period.

In the area of equity management, the constructive approach of portfolios was based on the idea that earnings would continue on the growth path, which is also expected to extend to those sectors and countries that have so far underperformed from an earnings perspective. With this in mind, geographically the US market with a more solid earnings path was favoured, despite already high valuations and less scope for expansion. A neutral weight was maintained on Japan, while the Europe component remained underweight due to the uncertainties and sustainability of the economic situation. At sectoral level, on the other hand, technology, non-cyclical consumer goods and pharmaceuticals still hold weight.

Loans to customers¹

The overall value of loans to customers at 30 June 2024 stood at approximately Euro 11.6 billion, substantially in line with the balance at the end of 2023.

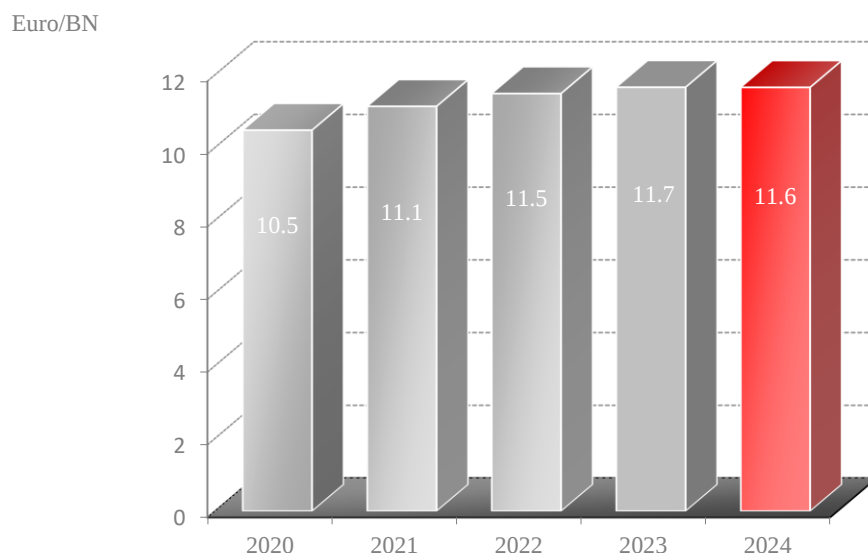
On the overall portfolio, the Credit Department continued its monitoring activities, whose analysis of the positions revealed an increase in the deterioration of existing credit facilities compared to previous quarters - albeit at levels in line with the pre-pandemic period - on which risk containment 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.

The graph below shows the overall trend in loans to customers in recent years, which shows a growth rate over the last five years of +2.7%, due to the growth in volumes in the six months under review, partly offset by the contraction in non-performing loans in previous years.

¹ Excluding non-performing loans in the net amount of Euro 14.5 million classified under "Assets held for sale".

Graph No. 7 – 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. 9 - LOANS TO CUSTOMERS

Amounts in Euro thousands	30.06.2024	Incidence %	31.12.2023	Incidence %	Changes Value	Changes %
Mortgages	7,911,955	68.0%	8,147,015	69.9%	-235,060	-2.9%
<i>fixed rate</i>	4,863,227	41.7%	4,943,202	42.4%	-79,975	-1.6%
<i>variable rate</i>	710,853	6.1%	747,764	6.4%	-36,911	-4.9%
<i>mixed rate ⁽¹⁾</i>	2,337,875	20.2%	2,456,049	21.1%	-118,174	-4.8%
Current accounts	862,492	7.4%	888,054	7.6%	-25,562	-2.9%
Finance lease	154,313	1.3%	154,409	1.3%	-96	-0.1%
Credit cards, personal loans and salary-backed loans	1,693,588	14.5%	1,440,166	12.4%	253,422	17.6%
Other transactions	1,027,609	8.8%	1,023,982	8.8%	3,627	0.4%
Loans to customers	11,649,957	100.0%	11,653,626	100.0%	-3,669	-0.03%

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

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

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

<i>Number of customers</i>	30.06.2024	31.12.2023
Top 10	0.87%	1.04%
Top 20	1.45%	1.74%
Top 30	1.96%	2.34%
Top 50	2.83%	3.38%

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 in the previous year).

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

Amounts in Euro thousands	30.06.2024					
	Gross exposure	Incidence % of total loans	Value adjustments	Coverage ratio	Net exposure	Incidence % of total loans
Bad loans	173,481	1.5%	(120,894)	69.7%	52,587	0.5%
Unlikely to pay	208,192	1.7%	(70,246)	33.7%	137,946	1.2%
Impaired past-due	16,467	0.1%	(2,434)	14.8%	14,033	0.1%
Total impaired	398,140	3.3%	(193,574)	48.6%	204,566	1.8%
Stage 1 exposures	9,615,068	80.5%	(16,205)	0.17%	9,598,863	82.4%
Stage 2 exposures	1,937,057	16.2%	(90,529)	4.67%	1,846,528	15.8%
Performing exposures	11,552,125	96.7%	(106,734)	0.92%	11,445,391	98.2%
Total loans to customers	11,950,265	100.00%	(300,308)	2.5%	11,649,957	100.00%

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%
Total impaired	391,291	3.3%	(190,978)	48.8%	200,313	1.7%
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%
Performing exposures	11,565,540	96.7%	(112,227)	0.97%	11,453,313	98.3%
Total loans to customers	11,956,831	100.00%	(303,205)	2.5%	11,653,626	100.00%

At 30 June 2024, the gross NPL ratio remained at 3.3%, (same figure as in December 2023). Consistent with the portfolio optimisation operations planned for 2024 and aimed at substantially maintaining the NPL ratio level, a net Euro 14.5 million is classified as held for sale.

The coverage on non-performing loans net of government guarantees (MCC and SACE) at the reference date was 55.1% (formerly 55.0% at 31 December 2023).

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. 12 - INDICATORS ON COVERAGE OF LOANS TO CUSTOMERS

% Coverage of non-performing and performing loans	30.06.2024	31.12.2023
% Coverage of bad loans	69.69%	69.64%
% Coverage of bad loans before write-offs	69.95%	69.93%
% Total coverage of non-performing loans	48.62%	48.81%
% Coverage of non-performing loans before write-offs	48.82%	49.01%
% Coverage of performing loans	0.92%	0.97%

The securities portfolio and the interbank position

The securities portfolio

At 30 June 2024, the Bank's total financial assets amounted to approximately Euro 4.2 billion, up +7.0% compared to the previous year-end figure of Euro 4.0 billion.

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

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

Amounts in Euro thousands	30.06.2024 Incidence %		31.12.2023 Incidence %		Changes	
					Value	%
Securities portfolio and derivatives (FVTPL)	203,850	4.8%	180,706	4.6%	23,144	12.8%
Debt securities	7,091		1,850			
Equity securities	5,045		4,890			
Mutual funds and SICAV	155,441		150,840			
Trading and hedging derivatives	36,273		23,126			
Banking book (FVOCI)	952,948	22.5%	835,465	21.1%	117,483	14.1%
Debt securities	939,740		822,257			
Equity securities	13,208		13,208			
Financial assets at amortised cost (AC)	3,077,296	72.7%	2,941,183	74.3%	136,113	4.6%
Debt securities (*)	3,077,296		2,941,183			
Financial assets	4,234,094	100.0%	3,957,354	100.0%	276,740	7.0%
of which Securities Portfolio	4,197,821	99.1%	3,934,228	99.4%	263,593	6.7%

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

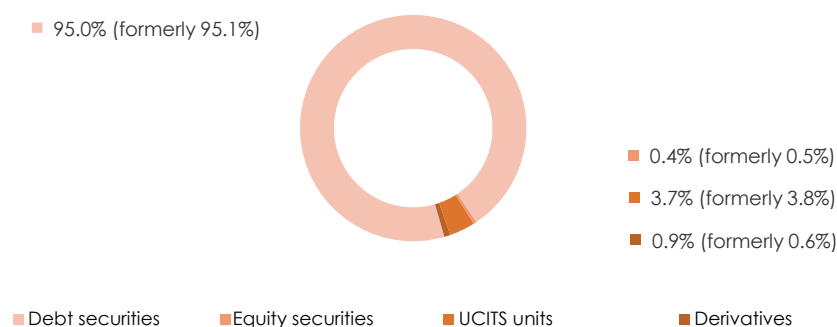
The first half of the year was characterised by a continuation of positive economic conditions associated with a certain slowdown in the downward process of the inflation rate. This situation, which has led to a gradual reduction and distancing in time of the downward path of rates, has resulted in interest rates rising again after the rapid decline at the end of 2023.

A moderate decline in bond prices, mitigated in its effects by a good performance of both corporate and Italian government bond spreads, was accompanied by a positive performance of international equity markets, concentrated particularly towards the end of the first quarter.

The first rate cut was only realised by the ECB at its June meeting, while the Federal Reserve Bank remains wait-and-see, and in general, estimates of monetary easing have been considerably reduced compared to the conditions at the beginning of the year, mainly due to a resilient labour market and the resulting prospective demand. In particular, the strength of the US economy continues while the GDP of EU countries is trying to re-accelerate after a phase of near stagnation in the second half of last year.

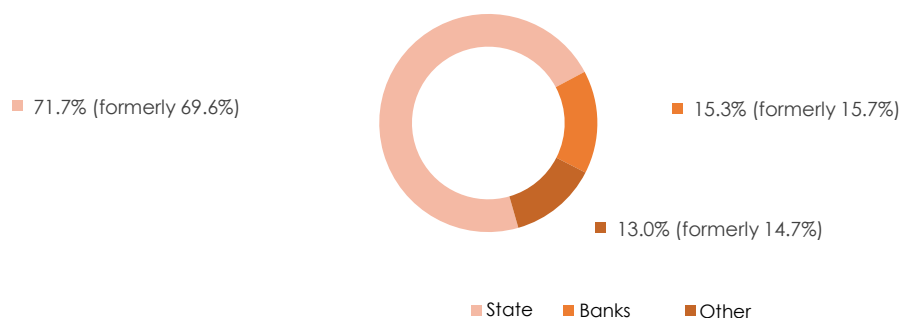
The investment policy of the HTC and HTCS securities portfolios saw a reduction in the variable-rate component, also in light of the need to improve the funding/lending profile. This resulted in an albeit limited increase in the duration of the portfolios compared to 31/12/2023: from 2.62 to 2.70 for the HTC portfolio and from 1.62 to 1.80 for the HTCS portfolio.

Graph No. 8 - % **BREAKDOWN OF FINANCIAL ASSETS AT 30.06.2024 BY SECURITY TYPE**



OtherWith reference to the issuers of securities, the overall portfolio at the end of the half-year consisted of 71.7% government securities, 15.3% securities of primary banking issuers and the remainder of other issuers, as shown graphically below.

Graph No. 9 - % **BREAKDOWN OF FINANCIAL ASSETS AT 30.06.2024 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 30.06.2024 are detailed below, bearing in mind that, according to the indications of the aforementioned European Supervisory Authority, "sovereign debt" is to be understood as bonds issued by central and local governments and government entities, as well as loans granted to them.

Table No. 14 - **SOVEREIGN DEBT SECURITIES: COMPOSITION BY PORTFOLIO AND ISSUER**

Amounts in Euro thousands		30.06.2024						31.12.2023			
		Italy	France	Belgium	Spain	USA	Romania	Total	Italy	Spain	United Kingdom
Financial assets measured at fair value through other comprehensive income	Nominal value	941,000				4,671	5,000	950,671	811,000		575
	Carrying amount	909,756				4,710	5,049	919,515	782,799		573
Financial assets measured at amortised cost	Nominal value	2,003,290	48,000	9,000	65,000			2,125,290	1,905,790	65,000	1,970,790
	Carrying amount	1,987,148	47,981	8,988	64,628			2,108,745	1,900,006	65,172	1,965,178
Sovereign debt securities⁽¹⁾	Nominal value	2,944,290	48,000	9,000	65,000	4,671	5,000	3,075,961	2,716,790	65,000	575
	Carrying amount	2,896,904	47,981	8,988	64,628	4,710	5,049	3,028,260	2,682,805	65,172	573

(1) this representation does not include, at 30.06.2024, the investment in HTC securities issued by Invitalia for Euro 3,611 million (Euro 3,539 million at 31.12.2023) and in HTC securities issued by Amco-Ass M.rng Co SpA for Euro 2,538 million (Euro 2,595 million at 31.12.2023)

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

Amounts in Euro thousands								30.06.2024	
		Italy	Spain	France	Belgium	United Kingdom	Romania	Nominal value	Carrying amount
Financial assets measured at fair value through other comprehensive income	up to 1 year	450,000	-	-	-	-	-	450,000	445,174
	1 to 3 years	165,000	-	-	-	-	-	165,000	170,622
	3 to 5 years	156,000	-	-	-	-	-	156,000	151,764
	over 5 years	170,000	-	-	-	-	-	170,000	151,955
	Total	941,000	-	-	-	-	-	941,000	919,515
Financial assets measured at amortised cost	up to 1 year	180,000	-	48,000	9,000	-	-	237,000	235,495
	1 to 3 years	370,000	-	-	-	4,671	-	374,671	371,182
	3 to 5 years	369,790	-	-	-	-	-	369,790	361,982
	over 5 years	1,083,500	65,000	-	-	-	5,000	1,153,500	1,140,086
	Total	2,003,290	65,000	48,000	9,000	4,671	5,000	2,134,961	2,108,745
Sovereign debt securities	up to 1 year	630,000	-	48,000	9,000	-	-	687,000	680,669
	1 to 3 years	535,000	-	-	-	4,671	-	539,671	541,804
	3 to 5 years	525,790	-	-	-	-	-	525,790	513,746
	over 5 years	1,253,500	65,000	-	-	-	5,000	1,323,500	1,292,041
	Total	2,944,290	65,000	48,000	9,000	4,671	5,000	3,075,961	3,028,260

Derivative financial instruments

The global economic and political context has been under severe stress over the past years, ultimately caused by the recent war events.

Taking into account the monetary policy adopted by the European Central Bank, Banco Desio has put in place a strategy to hedge its assets by setting up Micro 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. 16A - **GROUP DERIVATIVE FINANCIAL INSTRUMENTS: CARRYING AMOUNT**

Amounts in Euro thousands	Carrying amount 30.06.2024	31.12.2023	Changes	
			Value	%
Net hedging derivative financial instruments	30,781	6,875	23,906	347.7%
hedging financial assets	34,904	21,431	13,473	62.9%
hedging financial liabilities	-4,123	-14,556	10,433	-71.7%
Net trading derivative financial instruments	139	-55	194	-352.7%
financial assets held for trading	1,369	1,695	-326	-19.2%
financial liabilities held for trading	-1,230	-1,750	520	-29.7%
Net derivative financial instruments	30,920	6,820	24,100	353.4%

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

Amounts in Euro thousands	Notional value 30.06.2024	31.12.2023	Changes	
			Value	%
Hedging derivative financial instruments	1,055,000	1,055,000	0	0.0%
hedging financial assets	675,000	445,000	230,000	51.7%
hedging financial liabilities	380,000	610,000	-230,000	-37.7%
Trading derivative financial instruments	213,552	166,615	46,937	28.2%
financial assets held for trading	96,068	83,445	12,623	15.1%
financial liabilities held for trading	117,484	83,170	34,314	41.3%
Total derivative financial instruments	1,268,552	1,221,615	46,937	3.8%

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.

Net interbank position

The Group's net interbank position at 30 June 2024 was a credit position of about Euro 0.4 billion, compared to a debit balance of about Euro 0.1 billion at the end of the previous year.

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

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

Amounts in Euro thousands	30.06.2024	Incidence %	31.12.2022	Incidence %	Changes Value
Loans with central banks	1,161,895	-320.9%	1,579,906	n.s.	-418,011
Loans with banks	256,399	-70.8%	285,250	335.9%	-28,851
Current accounts and demand deposits	41,715	-11.5%	50,479	59.5%	-8,764
Fixed-term deposits	17,245	-4.8%	26,521	31.2%	-9,276
Loans and other receivables	197,439	-54.5%	208,250	245.2%	-10,811
Payables to central banks	467,107	-129.0%	1,479,445	n.s.	-1,012,338
Payables to banks	589,111	162.7%	470,620	-554.3%	118,491
Current accounts and demand deposits	21,398	5.9%	25,388	-29.9%	-3,990
Repurchase agreements and securities lending	412,797	114.0%	445,232	-524.4%	-32,435
Net interbank position	362,076	100.0%	-84,909	100%	446,985

The growth of the interest income component continued as a result of the reinvestment process, at improved average rates, of maturing amortised cost securities. It should be noted that the maturing TLTRO III tranche of Euro 1 billion was repaid in March. The total amount of the TLTRO financing thus decreased to Euro 445 million with maturity in December 2024.

Table No. 18 - **REFINANCING TRANSACTIONS WITH EUROPEAN CENTRAL BANK**

Amounts in Euro thousands	30.06.2024	Incidence %	31.12.2023	Incidence %	Changes Value	%
1. TLTRO-III transaction maturity 27/03/2024	-	0.0%	1,000,000	69.2%	-1,000,000	-100.0%
2. TLTRO-III transaction maturity 18/12/2024	445,000	100.0%	445,000	30.8%	0	0.0%
Total capital share TLTRO-III transactions	445,000	100.0%	1,445,000	100.0%	-1,000,000	-69.2%

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

Table No. 19 - **SECURITIES AND LOANS ELIGIBLE FOR REFINANCING WITH THE ECB**

Amounts in Euro thousands	30.06.2024	Incidence %	31.12.2023	Incidence %	Changes Value	%
Guarantee Value	1,639,787	100.0%	1,888,786	100.0%	-248,999	-13.2%
Committed Portion	467,015	28.5%	1,479,124	78.3%	-1,012,109	-68.4%
Portion available	1,172,772	71.5%	409,662	21.7%	763,110	186.3%

At 30 June 2024, 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 1,640 million, refinanced in the amount of Euro 467 million, and therefore still available in the amount of Euro 1,173 million (at 31 December 2023, total resources of Euro 1,889 million were present in the Pooling account, of which Euro 1,480 million refinanced and Euro 410 million available).

Equity and capital adequacy

Equity attributable to the Parent Company at 30 June 2024, including the profit for the period, totalled Euro 1,396.0 million, compared to Euro 1,354.0 million in 2023. The positive change of Euro 42.0 million is attributable to the positive overall profitability trend for the period of Euro 77.6 million, partially offset by the payment of the dividend for the financial year 2023.

The table below shows the reconciliation of the Parent Company's equity and profit for the period with the corresponding values at the consolidated level at 30 June 2024, also explaining the equity and economic effects related to the consolidation of subsidiaries and associates.

Table No. 20 - **RECONCILIATION BETWEEN EQUITY AND NET RESULT OF THE PARENT COMPANY AND CONSOLIDATED FIGURES AT 30.06.2024**

<i>Amounts in Euro thousands</i>	Equity	of which Profit for the period
Balances of the Parent Company Banco Desio	1,390,368	78,267
Effect of the consolidation of subsidiaries	5,577	3,417
Effect of equity valuation of associates	82	138
Dividends for the period	-	-3,734
Consolidated balances of the Banco Desio Group	1,396,027	78,088

On 25 January 2018, the Bank's Board of Directors, resolved to adhere to the transitional provisions introduced by Regulation (EU) 2017/2395 of 12 December 2017 aimed at mitigating the impact of the introduction of the IFRS9 accounting standard on own funds and capital ratios. Regulation EU 873/2020 subsequently amended the aforementioned transitional provisions of IFRS 9, enabling banks to sterilise the capital impacts associated with the increase in loan impairments recognised in the period 2020 - 2024 in a decreasing manner compared to 1 January 2020 for stage 1 and stage 2 portfolios.

The calculation of the consolidated Own Funds and prudential requirements that are subject to submission to the Bank of Italy as part of the Prudential Supervisory Reporting (COREP) and Statistical Reporting (FINREP) is performed with reference to Brianza Unione di Luigi Gavazzi e Stefano Lado S.A., which, according to European regulations, is the financial parent company of the banking group. This section therefore sets out the results of this calculation, relating to the prudential consolidation perimeter of the company Brianza Unione di Luigi Gavazzi e Stefano Lado S.A.p.A. (the financial parent company).

On 27 May 2024, Banco Desio disclosed the capital decision taken by the Bank of Italy at the conclusion of the periodic prudential review Process ("SREP"), keeping the capital requirements for the "CRR" Brianza Unione Group at consolidated level unchanged from 2023, as shown below:

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

Consolidated own funds calculated on the financial parent company Brianza Unione amounted to Euro 1,153.6 million at 30 June 2024 (CET1 + AT1 at Euro 1,010.9 million + T2 at Euro 142.7 million) compared to Euro 1,143.1 million at the end of the previous year. The Common Equity Tier1 capital ratio was 12.5% (12.3% at 31 December 2023). The Tier1 ratio was 13.3% (13.2% at 31 December 2023), while the Total Capital ratio was 15.2% (15.0% at 31 December 2023)².

	30.06.2024	
	Application of transitional regime	Fully loaded
OWN FUNDS		
Common Equity Tier 1 (CET1) capital	946,840	
Common Equity Tier 1 (CET1) capital without application of transitional provisions		941,032
Tier 1 capital	1,010,881	
Tier 1 capital without application of transitional provisions		1,004,951
Total own funds	1,153,574	
Total own funds without application of transitional provisions		1,147,486
RISK ASSETS		
Risk-weighted assets	7,596,876	
Risk-weighted assets without application of transitional provisions		7,582,415
SUPERVISORY RATIOS		
Primary Tier 1 capital/risk-weighted assets (CET1 capital ratio)	12.464%	
CET 1 capital/Risk-weighted assets (CET1 capital ratio) without application of transitional provisions		12.411%
Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)	13.307%	
Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio) without application of transitional provisions		13.254%
Total own funds/risk-weighted assets (Total capital ratio)	15.185%	
Total own funds/Risk-weighted assets (Total capital ratio) without application of transitional provisions		15.134%

Consolidated Own Funds calculated on the other hand for the Banco Desio Group, after pay out forecasts, as per dividend policy, amounted to Euro 1,396.6 million at 30 June 2024, (CET1 + AT1 to Euro 1,336.7 million + T2 to Euro 59.9 million), compared to Euro 1,366.4 million at the end of the previous year. The Common Equity Tier1 ratio and Tier1 ratio were 17.6% (both 17.2% at 31 December 2023), while the Total Capital ratio was 18.4% (18.0% at 31 December 2023).

² On 9 July 2024, EU Regulation 2024/1619 known as CRR 3 came into force, reintroducing until 2025, the prudential filter on the gains/losses on government securities classified in the IFRS 9 portfolio of Financial assets measured at fair value through other comprehensive income (Article 468 of the CRR), which Banco Desio had already adopted in the past. In the absence of more precise indications on the possibility of using the filter already on the situation at 30 June 2024, the Bank will apply the reinstated prudential filter in continuity with the past as from the first situation after 9 July 2024 (i.e. 30 September 2024). The pro-forma impact of the capital filter on 30 June 2024 is estimated at +11 bps on all Brianza Unione ratios (+22 bps on Banco Desio Group and +25 bps on individual Banco Desio).

With reference to the aforementioned provision authorising the purchase and sell of Banco Desio treasury shares, following the discussions held on the matter with the Supervisory Authority, the deduction that will be applied to the first situation after 12 July 2024 (i.e. 30 September 2024) was not taken into account in the calculation of the Own Funds at 30 June 2024. The pro-forma impact of the Euro 20.2 million deduction to be applied to the Banco Desio capital is estimated at -13 bps on all Brianza Unione ratios (-27 bps on Banco Desio Group and -29 bps on individual Banco Desio).

	30.06.2024
	Application of transitional regime Fully loaded
OWN FUNDS	
Common Equity Tier 1 (CET1) capital	1,336,674
Common Equity Tier 1 (CET1) capital without application of transitional provisions	1,326,231
Tier 1 capital	1,336,674
Tier 1 capital without application of transitional provisions	1,326,231
Total own funds	1,396,587
Total own funds without application of transitional provisions	1,386,144
RISK ASSETS	
Risk-weighted assets	7,596,877
Risk-weighted assets without application of transitional provisions	7,582,416
SUPERVISORY RATIOS	
Primary Tier 1 capital/risk-weighted assets (CET1 capital ratio)	17.595%
CET 1 capital/Risk-weighted assets (CET1 capital ratio) without application of transitional provisions	17.491%
Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)	17.595%
Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio) without application of transitional provisions	17.491%
Total own funds/risk-weighted assets (Total capital ratio)	18.384%
Total own funds/Risk-weighted assets (Total capital ratio) without application of transitional provisions	18.281%

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

Reclassified income statement

In order to provide a more consistent view of management performance, a reclassified Income Statement has been prepared with respect to the *Condensed half-year financial statements*, which forms the basis for specific comments.

The criteria for creating the schedule are summarised as follows:

- explication of two aggregates of accounting items, defined as "Operating Income" and "Operating Expenses", the algebraic balance of which determines the "Result from Operations";
- division of Profit (Loss) for the period between "Current result after tax" and "Non-recurring Profit (Loss) after taxes";
- "Operating income" also includes the balance of item 230, "Other operating income/expenses", albeit net of tax recoveries for stamp duty on customers' statements and securities deposits and substitute tax on m/l-term loans, recoveries on legal expenses as well as amortisation of leasehold improvements, reclassified respectively as a reduction to item 180b) "Other administrative expenses" and as an increase to item 220 "Net value adjustments/reversals on intangible assets" under "Operating expenses";
- time value components of impaired financial assets (calculated on the basis of the original effective interest rate) and interest adjustments related to non-performing loans are reclassified from "Net interest income" to "Cost of credit";
- the balance of item 100a) "Gains (Losses) on sale or repurchase of financial assets at amortised cost" of "Operating income" is reclassified, net of the component of gains (losses) on debt securities at amortised cost, to the specific item "Cost of credit" (where item 130a) "Net value adjustments for impairment of loans" is also included), following "Result from operations";
- the balance of item 110, "Net result of other financial assets and liabilities at fair value through profit or loss" of "Operating income" for the portion referring to units of closed-end UCITS subscribed as a result of the sale of non-performing loans is reclassified to the specific item "Cost of credit" (where item 130a) "Net value adjustments for impairment of loans" is also included), following the "Result from operations";
- the component of the expected loss on securities at amortised cost included in the balance of item 130a) "Net value adjustments for impairment of financial assets at amortised cost", is reclassified to item 130b) "Net value adjustments/reversals on securities owned" (where the balance of net credit risk adjustments on securities at fair value through other comprehensive income is included);
- charges for operating leases falling within the scope of application of IFRS16 "Leases", recognised in the accounts under item "20. Interest expenses and similar charges" and under item "210 Net value adjustments on tangible assets" are reclassified under item "190 b) Other administrative expenses";
- provisions relating to actions for revocation on disputed loans are reclassified from item 200 "Net provisions for risks and charges - other" to item "Cost of credit", both of which are subsequent to "Result from operations";
- ordinary contributions to the Resolution Fund ("SRM") and Deposit Guarantee Scheme ("DGS") are transferred from item "190 b) Other administrative expenses" to the item "Banking system expenses";

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

Profit for the period was Euro 78.1 million, up YoY by 29.4% on ordinary performance and down by -59.6% taking into account extraordinary items in H1 2023 amounting to Euro 134.2 million. In particular, the result recorded in the first half of 2023 was affected by the non-recurring positive effects deriving from (1) the acquisition of the business units of the BPER Group with the recognition of gross provisional goodwill of Euro 53.3 million, resulting from the purchase price allocation (PPA) process pursuant to IFRS 3 Business Combinations and (2) from the sale to Worldline Italia of the business unit relating to the merchant acquiring business with the recognition of a gain of Euro 98.5 million, before taxes.

The ordinary part contributes to the result for the period with a current result of Euro 76.5 million, net of taxes, up 29.4% compared to the comparison period (Euro 59.2 million) due to the effect of the growth in operating income (+14.7%) against a more contained growth in the relative expenses (+8.9%); these dynamics are however conditioned by the different contribution, in the half-year of reference compared to the comparison period, given by the branches BU acquired on 20 February 2023 from the BPER Group.

Table No. 21 - RECLASSIFIED INCOME STATEMENT

Items				Changes	
Amounts in Euro thousands		30.06.2024	30.06.2023	Value	%
10+20	Net interest income	192,147	168,585	23,562	14.0%
70	Dividends and similar income	589	554	35	6.3%
40+50	Net commissions	109,743	99,857	9,886	9.9%
80+90+100+	Net result of financial assets and liabilities	9,919	4,005	5,914	147.7%
110					
230	Other operating income/expenses	1,975	1,002	973	97.1%
Operating income		314,373	274,003	40,370	14.7%
190 a	Personnel expenses	-107,259	-94,611	-12,648	13.4%
190 b	Other administrative expenses	-48,439	-48,976	537	-1.1%
210+220	Net value adjustments on tangible and intangible assets	-6,429	-5,253	-1,176	22.4%
Operating expenses		-162,127	-148,840	-13,287	8.9%
Result from operations		152,246	125,163	27,083	21.6%
130a+100a	Cost of credit	-16,768	-26,740	9,972	-37.3%
130 b	Net value adjustments on own securities	847	-582	1,429	n.s.
140	Gains/losses from contractual amendments without derecognition	16	70	-54	-77.1%
200 a	Net allocations to provisions for risks and charges - commitments and guarantees given	787	417	370	88.7%
200 b	Net allocations to provisions for risks and charges - other	-14,115	-3,227	-10,888	337.4%
	Charges related to the banking system	-6,855	-6,798	-57	0.8%
250	Gains (Losses) on investments	138	-22	160	n.s.
Current result before taxes		116,296	88,281	28,015	31.7%
300	Income taxes on current operations	-39,751	-29,122	-10,629	36.5%
Current result after taxes		76,545	59,159	17,386	29.4%
Allocations to provisions for risks and charges, other allocations, "one-off" expenses and revenues		-82	149,432	-149,514	n.s.
Non-recurring result before taxes		-82	149,432	-149,514	n.s.
Income taxes on non-recurring items		1,429	-15,246	16,675	n.s.
Non-recurring result after taxes		1,347	134,186	-132,839	-99.0%
330	Profit (Loss) for the year	77,892	193,345	-115,453	-59.7%
340	Profit (Loss) for the period attributable to minority interests	-196	0	-196	n.s.
350	Profit (Loss) for the period attributable to the Parent Company	78,088	193,345	-115,257	-59.6%

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. 22 - RECONCILIATION OF FINANCIAL STATEMENTS AND RECLASSIFIED INCOME STATEMENT AT 30.06.2024

[illegible]

TABLE 23 - RECONCILIATION OF FINANCIAL STATEMENTS AND RECLASSIFIED INCOME STATEMENT AT 30.06.2023

Items	From Financial Statements		Reclassifications										Reclassified statement		
	30.06.2023		Non-performing loans valuation effects	Commission income	Recovery of taxes/expenses	Gains (losses) on investments in associates	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 IFRS 16 - Leases	Personnel expenses	Income taxes	30.06.2023
Amounts in Euro thousands															
10+20	Net interest income	170,154	-2,135									566			168,585
70	Dividends and similar income	554				0									554
	Gains (Losses) on investments in associates			1,793											0
40+50	Net commissions	98,064													99,857
80+90+100	Net result of financial assets and liabilities	-4,418	0						8,423						4,005
+110															
230	Other operating income/expenses	70,350			-16,670			616		-53,294					1,002
	Operating Income	334,704	-2,135	1,793	-16,670	0	0	616	8,423	-53,294	0	566	0	0	274,003
190 a	Personnel expenses	-94,589							-10				-12		-94,611
190 b	Other administrative expenses	-68,982			16,670				2,360		6,798	-5,822			-48,976
210+220	Net value adjustments on tangible and intangible assets	-9,893						-616				5,256			-5,253
	Operating expenses	-173,464	0	0	16,670	0	0	-616	0	2,350	6,798	-566	-12	0	-148,840
	Result from operations	161,240	-2,135	1,793	0	0	0	0	8,423	-50,944	6,798	0	-12	0	125,163
130a+100a	Cost of credit	-20,578	2,135				577		-8,423	-451					-26,740
130 b	Net value adjustments on own securities	-5					-577								-582
140	Gains/losses from contractual amendments without derecognition	70													70
200 a	Net allocations to provisions for risks and charges - commitments and guarantees given	417													417
200 b	Net allocations to provisions for risks and charges - other	-3,678								451				-3,227	-3,227
	Charges related to the banking system										-6,798				-6,798
250	Gains (Losses) on investments	-22													-22
	Current result before taxes	137,444	0	1,793	0	0	0	0	0	-50,944	0	0	-12	0	88,281
300	Income taxes for the year on current operations	-42,524												13,402	-29,122
	Current result after taxes	94,920	0	1,793	0	0	0	0	0	-50,944	0	0	-12	13,402	59,159
250+280	Net result of fair value measurement of tangible and intangible assets	0													0
	Allocations to provisions for risks and charges, other allocations, "one-off" expenses and revenues									149,432	0				149,432
	Non-recurring profit (loss) before taxes	0	0	0	0	0	0	0	0	149,432	0	0	0	0	149,432
	Income taxes for the year on non-recurring items													-15,246	
	Non-recurring profit (loss) after taxes	0	0	0	0	0	0	0	0	149,432	0	0	0	-15,246	134,186
320	Profit (Loss) from discontinued operations after taxes	98,425		-1,793						-98,488			12	1,844	0
330	Profit (loss) for the period	193,345	0	0	0	0	0	0	0	0	0	0	0	0	193,345
340	Profit (Loss) for the period attributable to minority interests	0													0
350	Profit (Loss) for the period attributable to the Parent Company	193,345	0	0	0	0	0	0	0	0	0	0	0	0	193,345

The main cost and revenue components of the reclassified income statement are analysed below, commenting, where necessary, on cases of comparison on a non-homogeneous basis.

Operating income

The core revenue items from operations increased by approximately Euro 40.4 million (+14.7%) compared to the comparison period, amounting to Euro 314.4 million. This performance is mainly attributable to the growth in *net interest income* of Euro 23.6 million (+14.0%), *net commissions* of Euro 9.9 million (+9.9%), *net income from financial assets and liabilities* of Euro 5.9 million (+147.7%) and *other operating income and expenses* of Euro 1.0 million (+97.1%).

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 162.1 million (Euro 148.8 million in the comparison period), showing an increase compared to the comparison period of Euro 12.6 million (+13.4%), (also for the renewal of the CCNL) with reference to personnel expenses and Euro 1.2 million (+22.4%) with reference to net value adjustments on tangible and intangible assets; other administrative expenses show a decrease of Euro 0.5 million (-1.1%) compared to 30 June 2023.

Result from operations

Consequently, the *result from operations* at 30 June 2024 amounted to Euro 152.2 million, an increase over the comparison period (+21.6%).

Current result after taxes

From the *result of operations* of Euro 152.2 million, we arrive at the *current result after tax* of Euro 76.5 million, an increase of 29.4% compared to that of Euro 59.2 million in the comparative period, mainly due to:

- the cost of credit (given by the balance of *Net value adjustments for impairment of financial assets at amortised cost and gains (losses) on sale or repurchase of receivables*), amounting to approximately Euro 16.8 million (roughly Euro 26.7 million in the previous period);
- *net value adjustments on securities owned* positive for Euro 0.8 million (negative for Euro 0.6 million in the comparison period);
- *net allocations to provisions for risks and charges* of negative Euro 13.3 million (negative Euro 2.8 million in the comparative period), which also include the Euro 13.2 million transparency risk assessment³ (please refer to the section "Significant corporate events during the period" above);
- *charges related to the banking system* of approximately Euro 6.9 million (Euro 6.8 million in the comparison period);
- gains on investments amounting to approximately Euro 0.1 million;
- *income taxes on current operations* of Euro 39.8 million (formerly Euro 29.1 million).

³ The assessment of the aforementioned risks necessarily required the application of a significant degree of professional judgement, the main elements of uncertainty of which can be traced back to the outcome of the ongoing proceedings. Although the information acquired is carefully considered by the Group in order to assess any implications on the estimates of the financial statements, it is not possible to exclude that the emergence of new information elements not known at the date of approval of the Consolidated Half-Year Financial Report may prospectively affect the assessments made regarding.

Non-recurring operating result after taxes

At 30 June 2024, there was a *non-recurring operating result after taxes* positive for Euro 1.3 million (positive for Euro 134.2 million in the comparison period). The item essentially consists of:

- charges related to the extraordinary contribution to the Deposit Guarantee Scheme ("DGS") in the amount of Euro 4.0 million, the recognition of which was brought forward with respect to previous years, to reflect the different dynamics with which the 2024 contribution was requested;
- the gross positive component of Euro 3.0 million achieved by way of price adjustment on the basis of targets assessed one year from the closing date, based on the agreements signed with Worldline with reference to the "Aquarius" transaction carried out in the previous year;
- the provisional badwill of Euro 1.4 million resulting from the provisional purchase price allocation (PPA) process relating to Dynamica Retail, effective as of 1 June 2024 (please refer to the section "Significant corporate events during the period" above);
- charges of Euro 0.5 million related to the costs of the agreement signed with Banca Popolare di Puglia e Basilicata S.C.p.A. ("BPPB") for the acquisition of a business unit consisting of 14 bank branches (see "Significant corporate events during the period" above);

after the related positive tax effect of Euro 1.4 million.

In the comparison period, the item *Non-recurring operating result after taxes* was positive for Euro 134.2 million and included:

- the income of Euro 98.5 million (net of the related administrative costs), following the transfer to Worldline Italia of the merchant acquiring business of Banco Desio (so-called "Aquarius Transaction");
- the provisional badwill of Euro 53.3 million resulting from the provisional purchase price allocation (PPA) process relating to the acquisition of 48 bank branches from BPER Group effective as of 20 February 2023 (so-called "Lanternina Transaction");
- expenses amounting to Euro 2.4 million relating to consultancy and IT migration costs associated with the above-mentioned Lanternina Transaction;

after the related negative tax effect of Euro 15.2 million.

Result for the period attributable to minority interests

The result for the period attributable to minority interests was negative for Euro 0.2 million.

Result for the period attributable to the Parent Company

The sum of the *current result* and the *non-recurring profit*, both after taxes, considering the result attributable to minority interests, determines the profit for the period attributable to the Parent Company at 30 June 2024 of Euro 78.1 million.

Performance of consolidated companies

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

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

Balance sheet values

Amounts in Euro thousands	30.06.2024	31.12.2023	Changes	
			abs.	%
Total assets	18,056,464	18,511,105	-454,641	-2.5%
Financial assets	4,165,970	3,957,354	208,616	5.3%
Cash and cash equivalents ⁽¹⁾	1,172,337	1,654,697	-482,360	-29.2%
Loans with banks ⁽²⁾	338,549	282,619	55,930	19.8%
Loans to customers ⁽²⁾	11,457,728	11,648,092	-190,364	-1.6%
Tangible assets ⁽³⁾	228,009	228,041	-32	0.0%
Intangible assets	33,903	34,696	-793	-2.3%
Non-current assets and groups of assets held for sale ⁽⁴⁾	14,537	0	14,537	0.0%
Payables to banks	1,055,872	1,950,065	-894,193	-45.9%
Payables to customers ⁽⁵⁾ ⁽⁶⁾	12,572,404	12,497,939	74,465	0.6%
Securities issued	2,544,166	2,280,448	263,718	11.6%
Equity (including Profit for the period)	1,390,368	1,347,800	42,568	3.2%
Own Funds	1,404,995	1,369,800	35,195	2.6%
Total indirect inflows	21,201,749	20,075,207	1,126,542	5.6%
of which Indirect inflows from ordinary customers	13,426,599	12,683,668	742,931	5.9%
of which Indirect inflows from institutional customers	7,775,150	7,391,539	383,611	5.2%

⁽¹⁾ At 30 June 2024, Cash and cash equivalents included the current accounts, demand deposits and the amount on demand of Euro 1.1 billion relating to cash in excess of the commitment to maintain the compulsory reserve, invested in overnight deposits (Euro 1.5 billion at the end of the previous period)

⁽²⁾ pursuant to Circular 262, the balance of the financial statements item includes Held-to-collect (HTC) debt securities recognised at amortised cost, which are shown under financial assets in these summaries, and does not include current accounts and demand deposits recognised under Cash and cash equivalents

⁽³⁾ the balance of the item at 30 June 2024 includes the right of use (RoU Asset) amounting to Euro 53.4 million in respect of operating leases falling under the scope of IFRS 16 Leases, which came into effect as of 1 January 2019

⁽⁴⁾ the balance of the item at 30 June 2024 consists of NPL loans for which assignment contracts had been signed but not yet finalised

⁽⁵⁾ 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

⁽⁶⁾ Including inflows repurchase agreements with institutional customers in the amount of Euro 971 million (Euro 608 million at 31 December 2023)

Income statement values ⁽⁷⁾

Amounts in Euro thousands	30.06.2024	30.06.2023	Changes	
			abs.	%
Operating income	302,683	264,679	38,004	14.4%
of which Net interest income	178,243	156,881	21,362	13.6%
Operating expenses	155,689	143,884	11,805	8.2%
Result from operations	146,994	120,795	26,199	21.7%
Charges related to the banking system	6,855	6,798	57	0.8%
Current result after taxes	78,293	59,932	18,361	30.6%
Non-recurring result after taxes	-26	134,186	-134,212	n.s.
Profit (loss) for the year	78,267	194,118	-115,851	-59.7%

⁽⁷⁾ from reclassified Income Statement

Equity, economic and risk ratios

	30.06.2024	31.12.2023	Changes abs.
Equity/Total assets	7.7%	7.3%	0.4%
Equity/Loans to customers	12.1%	11.6%	0.5%
Equity/Payables to customers	11.1%	10.8%	0.3%
Equity/Securities issued	54.6%	59.1%	-4.5%
Common Equity Tier1 (CET1)/Risk-weighted assets ⁽⁸⁾	19.4%	18.6%	0.8%
Total Tier 1 capital (T1)/Risk-weighted assets ⁽⁸⁾	19.4%	18.6%	0.8%
Total Own funds/Risk-weighted assets (Total capital ratio) ⁽⁸⁾	20.3%	19.5%	0.8%
Financial assets/Total assets	23.1%	21.4%	1.7%
Loans with banks/Total assets	1.9%	1.5%	0.4%
Loans to customers/Total assets	63.5%	62.9%	0.6%
Loans to customers/Direct inflows from customers	75.8%	78.8%	-3.0%
Payables to banks/Total assets	5.8%	10.5%	-4.7%
Payables to customers/Total assets	69.6%	67.5%	2.1%
Securities issued/Total assets	14.1%	12.3%	1.8%
Direct inflows from customers/Total assets	83.7%	79.8%	3.9%

	30.06.2024	30.06.2023	Changes abs.
Operating expenses/Operating income (Cost/Income ratio)	51.4%	54.4%	-3.0%
(Operating expenses + Banking-related expenses)/Operating income (Cost/Income ratio)	53.7%	56.9%	-3.2%
Net interest income/Operating income	58.9%	59.3%	-0.4%
Result from operations/Operating income	48.6%	45.6%	3.0%
Current result after taxes/Equity - annualised ⁽⁹⁾ ⁽¹⁰⁾	12.1%	9.8%	2.3%
Profit for the year/Equity ⁽⁹⁾ (R.O.E.) - annualised ⁽¹⁰⁾ ⁽¹¹⁾	12.1%	21.5%	-9.4%
Current result before taxes/Total assets (R.O.A.) - annualised ⁽¹⁰⁾	1.2%	0.9%	0.3%

	30.06.2024	31.12.2023	Changes abs.
Net bad loans/Loans to customers ⁽¹²⁾	0.4%	0.4%	0.0%
Net non-performing loans/Loans to customers ⁽¹²⁾	1.7%	1.7%	-0.1%
% Coverage of bad loans ⁽¹²⁾	69.9%	69.9%	0.0%
% Coverage of bad loans before write-offs ⁽¹²⁾	70.1%	70.2%	0.0%
% Total coverage of non-performing loans ⁽¹²⁾	49.4%	49.4%	0.1%
% Coverage of non-performing loans before write-offs ⁽¹²⁾	49.6%	49.6%	0.1%
% Coverage of performing loans	0.92%	0.96%	-0.03%

Structure and productivity data

	30.06.2024	31.12.2023	Changes abs.	%
Number of employees	2,361	2,326	35	1.5%
Number of branches	273	280	-7	-2.5%
Amounts in Euro thousands				
Loans to customers per employee ⁽¹³⁾	4,889	5,316	-427	-8.0%
Direct inflows from customers per employee ⁽¹³⁾	6,450	6,745	-295	-4.4%

	30.06.2024	30.06.2023	Changes abs.	%
Operating income per employee ⁽¹³⁾ - annualised ⁽¹⁰⁾	256	256	0	0.0%
Result from operations per employee ⁽¹³⁾ - annualised ⁽¹⁰⁾	124	114	10	8.8%

⁽⁸⁾ capital ratios at 30.06.2024 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 19.3%; Tier 1 19.3%; Total capital ratio 20.1%

⁽⁹⁾ net of the result for the period

⁽¹⁰⁾ the 2023 year-end figure at 30.06.2024 is shown

⁽¹¹⁾ the annualised ROE at 30.06.2024 does not consider the annualisation of the Net non-recurring operating result and dividends of the subsidiaries

⁽¹²⁾ net of Assets held for sale at 30 June 2024

⁽¹³⁾ based on the number of employees as the arithmetic mean between the period-end figure and the previous year-end figure

Profit for the period was Euro 78.3 million, up YoY by 30.6% on ordinary performance and down by -59.7% taking into account extraordinary items in the first half of 2023 amounting to Euro 134.2 million. In particular, the result recorded in the comparison period was affected by the non-recurring positive effects deriving from (1) the acquisition of the business units of the BPER Group with the recognition of gross provisional badwill of Euro 53.3 million, resulting from the purchase price allocation (PPA) process pursuant to IFRS 3

Business Combinations and (2) from the sale to Worldline Italia of the business unit relating to the merchant acquiring business with the recognition of a gain of Euro 98.5 million, before taxes.

The total value of loans to customers (net of non-performing loans in the amount of Euro 14.5 million classified under "Assets held for sale") at 30 June 2024 amounted to around Euro 11.5 billion, slightly down from the balance at year-end 2023 (-1.6%).

Equity at 30 June 2024, including the profit for the period, amounted to Euro 1,390.4 million, compared to Euro 1,347.8 million in 2023. The positive change of Euro 42.6 million is attributable to the positive overall profitability trend for the period of Euro 78.0 million, partially offset by the payment of the dividend for the financial year 2023.

The capital calculated according to the supervisory regulations, defined as Own Funds, after the payout forecasts, as per the dividend policy, amounted to Euro 1,405.0 million at 30 June 2024, (CET1 + AT1 to Euro 1,345.2 million + T2 to Euro 59.8 million), compared to Euro 1,369.8 million at the end of the previous year.

Fides S.p.A.

Balance sheet values

Amounts in Euro thousands	30.06.2024	31.12.2023	Changes abs.	%
Total assets	1,520,702	1,500,326	20,376	1.4%
Financial assets	56,970	0	56,970	0.0%
Loans with banks	161,771	285,046	-123,274	-43.2%
Loans to customers	1,286,628	1,200,925	85,703	7.1%
Tangible assets	2,921	2,953	-32	-1.1%
Intangible assets	1,555	1,397	158	11.3%
Payables to banks	1,159,928	1,195,411	-35,483	-3.0%
of which Payables to group banks	1,159,928	1,195,411	-35,483	-3.0%
Payables to customers	7,948	6,375	1,573	24.7%
Securities outstanding and Financial liabilities measured at fair value	282,816	229,371	53,445	23.3%
Equity (including Profit for the year)	56,464	56,118	346	0.6%
Own Funds	54,708	51,940	2,768	5.3%

Income statement values ⁽¹⁾

Amounts in Euro thousands	30.06.2024	30.06.2023	Changes abs.	%
Operating income	13,060	10,676	2,384	22.3%
of which Net interest income ⁽²⁾	11,738	9,782	1,956	20.0%
Operating expenses	-5,809	-5,016	-793	15.8%
Result from operations	7,251	5,660	1,591	28.1%
Current result after taxes	3,932	3,307	626	18.9%
Non-recurring result after taxes	0	0		
Profit for the year	3,932	3,307	626	18.9%

⁽¹⁾ from reclassified Income Statement

⁽²⁾ The balances for the period of comparison have been restated due to the change in the amortised cost method applied by the subsidiary Fides in order to make it consistent with the effective interest method adopted by the Parent Company (see the note "Comparability of financial statements" in the General part of the Accounting Policies).

Equity, economic and risk ratios

	30.06.2024	31.12.2023	Changes abs.
Equity/Total assets	3.7%	3.7%	0.0%
Equity/Loans to customers	4.4%	4.7%	-0.3%
Equity/Payables to banks	4.9%	4.7%	0.2%
Equity/Securities outstanding and Financial liabilities measured at fair value	20.0%	24.5%	-4.5%
Total Own funds/Risk-weighted assets (Total capital ratio)	8.1%	8.1%	0.2%
Loans to customers/Total assets	84.6%	80.0%	4.6%
Payables to banks/Total assets	76.3%	79.7%	-3.4%
	30.06.2024	30.06.2023	Changes abs.
Operating expenses/Operating income (Cost/Income ratio)	44.5%	47.0%	-2.5%
Net interest income/Operating income ⁽²⁾	89.9%	91.6%	-1.7%
Result from operations/Operating income	55.5%	53.0%	2.5%
Current result after taxes/Equity ⁽³⁾ - annualised ⁽⁴⁾	15.0%	14.8%	0.2%
Profit for the year/Equity ⁽³⁾ (R.O.E.) - annualised ⁽⁴⁾	15.0%	14.8%	0.2%
Current result before taxes/Total assets (R.O.A.) - annualised ⁽⁴⁾	0.8%	0.7%	0.1%
	30.06.2024	31.12.2023	Changes abs.
Net bad loans/Loans to customers	0.1%	0.1%	0.0%
Net non-performing loans/Loans to customers	0.6%	0.6%	0.0%
% Coverage of bad loans	59.7%	54.0%	5.8%
% Total coverage of non-performing loans	30.4%	28.5%	1.9%
% Coverage of performing loans	0.14%	0.13%	0.1%

⁽²⁾ The balances for the period of comparison have been restated due to the change in the amortised cost method applied by the subsidiary Fides in order to make it consistent with the effective interest method adopted by the Parent Company (see the note "Comparability of financial statements" in the General part of the Accounting Policies).

⁽³⁾ net of the result for the year

⁽⁴⁾ the 2023 year-end figure at 30.06.2023 is shown

Structure and productivity data

	30.06.2024	31.12.2023	Changes abs.	%
Number of employees	68	65	3	4.6%
	30.06.2024	31.12.2023	Changes abs.	%
Amounts in Euro thousands				
Loans to customers per employee ⁽⁵⁾	19,348	19,370	-22	-0.1%
	30.06.2024	30.06.2023	Changes abs.	%
Amounts in Euro thousands				
Operating income per employee ⁽⁵⁾ - annualised ⁽⁴⁾	393	363	30	8.3%
Result from operations per employee ⁽⁵⁾ - annualised ⁽⁴⁾	218	198	20	10.1%

⁽⁴⁾ the 2023 year-end figure at 30.06.2024 is shown

⁽⁵⁾ based on the number of employees as the arithmetic mean between the period-end figure and the previous year-end figure

At the reporting date, the parent company Banco di Desio e della Brianza S.p.A. wholly owned the company.

Current result after taxes at 30 June 2024 amounted to approximately Euro 3.9 million, up compared to the profit of Euro 3.3 million in the comparison period; operating income amounted to Euro 13.1 million, up Euro 2.4 million compared to 30 June 2023, operating expenses to Euro 5.8 million (formerly Euro 5.0 million), the result from operations to Euro 7.3 million (formerly Euro 5.7 million). Cost of credit of about Euro 0.8 million and taxes of Euro 1.9 million (respectively formerly Euro 0.7 million and Euro 1.6 million) lead to the result for the period.

Loans to customers increased from Euro 1,200.9 million at the end of 2023 to Euro 1,286.6 million at the reporting date, with a positive change of Euro 85.7 million (+7.1%).

Equity at 30 June 2024 including the result for the period amounted to Euro 56.5 million, compared to Euro 56.1 million in 2023 (due to the allocation of the result at 31 December 2023, and the trend in overall profitability for the period). Regulatory own funds increased from Euro 51.9 million at the end of 2023 to Euro 54.7 million (due to the allocation of 70% of the profit for the period).

Dynamica Retail S.p.A.

Balance sheet values

	30.06.2024
Amounts in Euro thousands	
Total assets	117,607
Loans with banks	5,036
Loans to customers	72,291
Tangible assets	518
Intangible assets	279
Payables to banks	16,158
<i>of which Payables to group banks</i>	15,854
Payables to customers	71,938
Equity (including Profit for the year)	13,606
Own Funds	9,596

Income statement values ⁽¹⁾

	30.06.2024
Amounts in Euro thousands	
Operating income	521
<i>of which Net interest income</i>	-482
Operating expenses	739
Result from operations	-217
Current result after taxes	-447
Non-recurring result after taxes	0
Profit for the year	-447

⁽¹⁾ from reclassified Income Statement

Equity, economic and risk ratios

	30.06.2024
Equity/Total assets	11.6%
Equity/Loans to customers	18.8%
Equity/Payables to banks	84.2%
Total Own funds/Risk-weighted assets (Total capital ratio)	11.9%
Loans to customers/Total assets	61.5%
Payables to banks/Total assets	13.7%
	30.06.2024
Operating expenses/Operating income (Cost/Income ratio)	141.7%
Net interest income/Operating income	92.4%
Result from operations/Operating income	-41.7%
Current result after taxes/Equity ⁽²⁾ - annualised	-6.4%
Profit for the year/Equity ⁽²⁾ (R.O.E.) - annualised ⁽³⁾	-6.4%
Current result before taxes/Total assets (R.O.A.) - annualised	-1.1%
	30.06.2024
Net bad loans/Loans to customers	0.2%
Net non-performing loans/Loans to customers	3.3%
% Coverage of bad loans	56.9%
% Total coverage of non-performing loans	14.6%
% Coverage of performing loans	0.36%

⁽²⁾ net of the result for the year

⁽³⁾ the annualised ROE at 30.06.2024 does not consider the annualisation of the Net non-recurring operating result

Structure and productivity data

	30.06.2024
Number of employees	57
Amounts in Euro thousands	30.06.2024
Loans to customers per employee ⁽⁴⁾	1,279
Amounts in Euro thousands	30.06.2024
Operating income per employee ⁽⁴⁾ - annualised ⁽³⁾	18
Result from operations per employee ⁽⁴⁾ - annualised ⁽³⁾	-8

⁽³⁾ the annualised ROE at 30.06.2024 does not consider the annualisation of the Net non-recurring operating result

⁽⁴⁾ based on the number of employees as the arithmetic mean between the period-end figure and the previous year-end figure.

Following the acquisition described in the previous section "Significant corporate events during the period" and in the subsequent disclosure "Business combinations involving companies or business units", at 30 June 2024, the parent company Banco di Desio e della Brianza S.p.A. held an 89.23% stake.

At 30 June 2024, the *Current result after taxes* was negative for about Euro 0.4 million; the *result from operations* was negative for Euro 0.2 million. *Cost of credit* and *net allocations* totalling about Euro 0.4 million and *taxes* positive for Euro 0.2 million led to the result for the period.

Loans to customers amounted to Euro 81.2 million at the reporting date.

Equity at 30 June 2024, including the result for the period, totalled Euro 13.6 million. Regulatory own funds amounted to Euro 8.9 million.

Other information

Ratings

On 31 May 2024, the international agency Fitch Ratings, following its annual rating review, confirmed all ratings assigned to the Bank and raised the ratings on Deposits by one notch.

The Agency's assessment reflects the constant improvement in the Bank's fundamentals, in particular in terms of profitability and asset quality, worthy of an upgrade of the respective outlook.

Appreciation is also due to the bank's solid capitalisation, whose rating is upgraded to investment grade with an adequate funding profile. The Agency recognises that the economic and financial objectives set by the three-year strategic plan have been exceeded thanks to the acceleration of the risk reduction strategy, which has resulted in higher profitability and a surplus of capital available for growth also through extraordinary finance operations. The improvement in profitability is in fact supported both by the recent acquisitions of branches, which improve the spread of the Bank's franchising, and by the ongoing operations aimed at consolidating and expanding the Banking Group's presence in the consumer credit sector, with concrete effects on the stability and diversification of revenues and the cross-selling of asset and insurance products. The robust coverage levels on NPL also provide the Bank with an adequate buffer to absorb any expected weakening of asset quality at System level.

Finally, the Agency upgraded the Bank's Short-Term and Medium-Long-Term Deposit ratings by one notch, reflecting the high protection that would accrue to depositors in a default scenario due to the MREL buffer on regulatory capital requirements.

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"
- ST Deposit Rating: upgraded from "B" to "F3"
- MLT Deposit Rating: upgraded from "BB+" to "BBB-"

On 20 February 2024, the latest update of the Corporate SER rating assigned by the "Standard Ethics" agency was announced, rising to "EE" from the previous "EE-", increasingly positioning Banco Desio among the best performers in the reference sector (for the related press release, see <https://www.standardethics.eu/media-en/press-releases/banco-desio-brianza-sustainability-rating-upgraded>).

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

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

Related party transactions

For a description of the procedures regulating Related party transactions (pursuant to Article 2391-bis of the Italian Civil Code) and/or with Connected Parties (pursuant to Article 53 of the Consolidated Law on Banking), please refer to section 5 of the Annual Corporate Governance Report, made available, pursuant to Article 123-bis of the Consolidated Law on Finance, on the website of the Parent Company at www.bancodesio.it, in the section "Governance / Corporate Documents / Corporate Governance Report". For further information, reference is made to the specific section of the Condensed consolidated half-year financial statements.

Information on incentive plans ("Phantom shares")

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 is contained in the specific section "Payment agreements based on own equity instruments", 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 the supervisory provisions and made available, pursuant to art. 123-ter of the TUF, on the website www.bancodesio.it.

Outlook and main risks and uncertainties

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

Among the main factors of uncertainty that could influence the Group's commercial and funding strategy are the Central Banks' initiatives to counter inflation dynamics by gradually decreasing interest rates. In fact, inflation is falling more slowly than desired/expected almost everywhere in the world economy, along a bumpy path. The Federal Reserve Bank and the ECB, as well as many other central banks, are waiting for clearer signals on the path of convergence of inflation to the price stability objective before embarking decisively on easing monetary conditions, in order to minimise the risk of new inflationary flare-ups (and subsequent tighter restrictions) in the event of too early an intervention. It is only in the second half of 2024 that central banks are expected to adopt expansionary, more incisive measures, for which a decline in policy rates is a necessary step.

In this context, the Banco Desio Group will continue to carefully monitor and anticipate the expected effects in the wake of the strategy and path of strengthening the renewal and focus of the business model undertaken outlined in the "Beyond 26" Business Plan. 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.

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

In the previous disclosure "Macroeconomic scenario", 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 illustrated in the subsequent disclosure "Information on risks and related hedging policies".

For specific information on the description of the context in which this Report was prepared, with particular reference to the international geo-political crises, reference is made to the section "Drafting criteria and accounting standards" below. In the disclosure "Risks, uncertainties and impacts arising from war conflicts, residual effects of the Covid-19 epidemic, climate risk and the macroeconomic context", contained in the Annual Report for the year ended 31 December 2023 to which reference is made, and in this consolidated half-year report, an illustration is also provided of the estimation processes that require the use of significant judgement in the selection of underlying assumptions and hypotheses, which are still conditioned by the continuing negative effects of the reference context.

In consideration of the Bank's capital solidity, the growing operational management with reference to the main commercial priorities of the strategic plan, the careful management of credit quality and the low NPL ratio confirming the commercial strength and resilience of the Banco Desio Group despite a constantly evolving monetary and macroeconomic context, the consolidated half-year financial report at 30 June 2024 has therefore been prepared with a view to business continuity

Desio, 30 July 2024

The Board of Directors

**Condensed consolidated half-year financial
statements
at 30 June 2024**

FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

Asset items	30.06.2024	31.12.2023	Changes	
			absolute	%
10. Cash and cash equivalents	1,180,377	1,655,187	(474,810)	-28.7%
20. Financial assets measured at fair value through profit or loss	168,947	159,275	9,672	6.1%
a) Financial assets held for trading	13,026	7,898	5,128	64.9%
c) Other financial assets mandatorily measured at fair value	155,921	151,377	4,544	3.0%
30. Financial assets measured at fair value through other comprehensive income	952,947	835,465	117,482	14.1%
40. Financial assets measured at amortised cost	15,038,610	14,888,148	150,462	1.0%
a) Loans with banks	925,356	862,934	62,422	7.2%
b) Loans to customers	14,113,254	14,025,214	88,040	0.6%
50. Hedging derivatives	34,904	21,431	13,473	62.9%
60. Value adjustment of financial assets with macro hedges (+/-)	(15,857)	(4,073)	(11,784)	289.3%
70. Investments	4,946	5,015	(69)	-1.4%
90. Tangible assets	231,448	230,994	454	0.2%
100. Intangible assets	41,262	41,619	(357)	-0.9%
of which:				
- goodwill	15,322	15,322		
110. Tax assets	111,537	119,269	(7,732)	-6.5%
a) current	913	527	386	73.2%
b) deferred	110,624	118,742	(8,118)	-6.8%
120. Non-current assets and groups of assets held for sale	14,537	-	14,537	0.0%
130. Other assets	549,981	602,925	(52,944)	-8.8%
Total assets	18,313,639	18,555,255	(241,616)	-1.3%

Liabilities and equity items	30.06.2024	31.12.2023	Changes	
			absolute	%
10. Financial liabilities measured at amortised cost	16,429,997	16,795,988	(365,991)	-2.2%
a) Payables to banks	1,056,218	1,950,065	(893,847)	-45.8%
b) Payables to customers	12,546,797	12,336,104	210,693	1.7%
c) Securities issued	2,826,982	2,509,819	317,163	12.6%
20. Financial liabilities held for trading	1,230	1,750	(520)	-29.7%
40. Hedging derivatives	4,123	14,556	(10,433)	-71.7%
60. Tax liabilities	32,951	11,765	21,186	180.1%
a) current	25,661	3,498	22,163	633.6%
b) deferred	7,290	8,267	(977)	-11.8%
80. Other liabilities	351,702	294,451	57,251	19.4%
90. Employee severance indemnity (TFR)	19,320	19,364	(44)	-0.2%
100. Provisions for risks and charges	77,394	63,352	14,042	22.2%
a) commitments and guarantees given	3,306	4,096	(790)	-19.3%
c) other provisions for risks and charges	74,088	59,256	14,832	25.0%
120. Valuation reserves	2,877	3,178	(301)	-9.5%
150. Reserves	1,228,224	1,023,638	204,586	20.0%
160. Share premiums	16,145	16,145		
170. Capital	70,693	70,693		
190. Minority interests (+/-)	895	14	881	n.s.
200. Profit (loss) for the year (+/-)	78,088	240,361	(162,273)	-67.5%
Total liabilities and equity	18,313,639	18,555,255	(241,616)	-1.3%

CONSOLIDATED INCOME STATEMENT

Items	30.06.2024	30.06.2023	Changes	
			absolute	%
10. Interest and similar income	330,227	264,186	66,041	25.0%
of which: interest income calculated using the effective interest rate method	225,659	190,491	35,168	18.5%
20. Interest and similar expense	(136,415)	(94,033)	(42,382)	45.1%
30. Net interest income	193,812	170,153	23,659	13.9%
40. Commission income	117,171	103,757	13,414	12.9%
50. Commission expenses	(7,428)	(5,692)	(1,736)	30.5%
60. Net commissions	109,743	98,065	11,678	11.9%
70. Dividends and similar income	589	554	35	6.3%
80. Net trading result	2,253	1,178	1,075	91.3%
90. Net hedging result	(22)	1,637	(1,659)	n.s.
100. Gains (losses) on sale or repurchase of:	6,803	(1,438)	8,241	n.s.
a) financial assets measured at amortised cost	4,362	(2,201)	6,563	n.s.
b) financial assets measured at fair value through other comprehensive income	2,380	486	1,894	389.7%
c) financial liabilities	61	277	(216)	-78.0%
110. Net result of other financial assets and liabilities measured at fair value through profit or loss	(5,934)	(5,795)	(139)	2.4%
b) other financial assets mandatorily measured at fair value	(5,934)	(5,795)	(139)	2.4%
120. Net banking income	307,244	264,354	42,890	16.2%
130. Net value adjustments/reversals for credit risk related to:	(11,067)	(20,583)	9,516	-46.2%
a) financial assets measured at amortised cost	(11,113)	(20,578)	9,465	-46.0%
b) financial assets measured at fair value through other comprehensive income	46	(5)	51	n.s.
140. Gains/losses from contractual amendments without derecognition	16	70	(54)	-77.1%
150. Net result from financial operations	296,193	243,841	52,352	21.5%
180. Net result from financial and insurance operations	296,193	243,841	52,352	21.5%
190. Administrative expenses:	(178,536)	(163,571)	(14,965)	9.1%
a) personnel expenses	(107,259)	(94,589)	(12,670)	13.4%
b) other administrative expenses	(71,277)	(68,982)	(2,295)	3.3%
200. Net allocations to provisions for risks and charges	(13,651)	(3,261)	(10,390)	318.6%
a) commitments for guarantees given	787	417	370	88.7%
b) other net allocations	(14,438)	(3,678)	(10,760)	292.6%
210. Net value adjustments/reversals on tangible assets	(9,320)	(8,700)	(620)	7.1%
220. Net value adjustments/reversals on intangible assets	(2,160)	(1,193)	(967)	81.1%
230. Other operating expenses/income	20,550	70,350	(49,800)	-70.8%
240. Operating costs	(183,117)	(106,375)	(76,742)	72.1%
250. Gains (Losses) on investments	138	(22)	160	n.s.
290. Profit (Loss) from current operations before taxes	113,214	137,444	(24,230)	-17.6%
300. Income taxes for the year on current operations	(38,281)	(42,524)	4,243	-10.0%
310. Profit (Loss) from current operations after taxes	74,933	94,920	(19,987)	-21.1%
320. Profit (Loss) from discontinued operations after taxes	2,959	98,425	(95,466)	-97.0%
330. Profit (Loss) for the year	77,892	193,345	(115,453)	-59.7%
340. Profit (Loss) for the year attributable to minority interests	(196)	-	(196)	n.s.
350. Profit (Loss) for the year attributable to the parent company	78,088	193,345	(115,257)	-59.6%

	30.06.2024	30.06.2023
Basic earnings per share (Euro)	0.58	1.44
Diluted earnings per share (Euro)	0.58	1.44

The balances shown in the income statement and related tables for the period of comparison have been restated due to the change in the amortised cost method applied by the subsidiary Fides in order to make it consistent with the effective interest method adopted by the Parent Company (see the note "Comparability of financial statements" in the General part of the Accounting Policies).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Items	30.06.2024	30.06.2023
10. Profit (Loss) for the year	77,892	193,345
Other income components net of taxes without reversal to the income statement		
20. Equity securities measured at fair value through other comprehensive income	-	(1,074)
70. Defined benefit plans	260	228
Other income components net of taxes with reversal to the income statement		
150. Financial assets (other than equity securities) measured at fair value through other comprehensive income	(561)	6,937
200. Total other income components net of taxes	(301)	6,091
210. Comprehensive income (Item 10+170)	77,591	199,436
220. Consolidated comprehensive income attributable to minority interests	-	-
230. Consolidated comprehensive income attributable to the parent company	77,591	199,436

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY AT 30.06.2024

	Balance at 31.12.2023	Changes in opening balances	Balance at 01.01.2024	Allocation of prev ious year result		Changes in the year									Group equity at 30.06.2024	Minority interests at 30.06.2024
				Reserves	Dividends and other allocations	Changes in reserves	Equity transactions							Comprehensive income 30.06.2024		
							Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Changes in equity instruments	Derivatives on treasury shares	Stock options	Changes in equity interests			
Capital:																
a) ordinary shares	70,693		70,693												70,693	
b) other shares																
Share premiums	16,145		16,145												16,145	
Reserv es:																
a) of profits	1,008,099		1,008,099	202,653											1,210,752	
b) other	15,553		15,553	2,317		(67)							760		17,472	
Valuation reserv es:	3,178		3,178											(301)	2,877	
Equity instruments																
Treasury shares																
Profit (Loss) for the year	240,361		240,361	(204,970)	(35,391)									77,892	78,088	
Group equity	1,354,015		1,354,015		(35,391)	139							(327)	77,591	1,396,027	
Minority interests	14		14			(206)							1,087		895	

Note

The allocation of the previous year's result to reserves in the amount of Euro 202,653 thousand includes the allocation of Euro 46,700 thousand to the 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 "extra-profits tax") approved by the Ordinary Meeting of 18 April 2024.

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY AT 30.06.2023

	Balance at 31.12.2022	Changes in opening balances	Balance at 01.01.2023	Allocation of prev ious year result		Changes in the year									Group equity at 30.06.2023	Minority interests at 30.06.2023
						Changes in reserves	Equity transactions							Comprehensive income 30.06.2023		
				Reserves	Dividends and other allocations		Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Changes in equity instruments	Derivatives on treasury shares	Stock options	Changes in equity interests			
Capital:																
a) ordinary shares	70,693		70,693												70,693	
b) other shares																
Share premiums	16,145		16,145												16,145	
Reserv es:																
a) of profits	945,133		945,133	61,733		1,276									1,008,142	
b) other	22,226		22,226	(6,726)											15,486	
Valuation reserv es:	(13,192)		(13,192)											6,091	(7,101)	
Equity instruments																
Treasury shares																
Profit (Loss) for the year	81,463		81,463	(55,007)	(26,456)									193,345	193,345	
Group equity	1,122,454		1,122,454	(26,456)		1,276								199,436	1,296,710	
Minority interests	14		14												14	

CONSOLIDATED CASH FLOW STATEMENT

	30.06.2024	30.06.2023
A. OPERATING ACTIVITIES		
1. Operations	114,666	225,626
- interest income collected (+)	311,361	263,488
- interest expense paid (-)	(134,692)	(99,258)
- dividends and similar income (+)	589	554
- net commissions (+/-)	106,956	93,216
- personnel expenses (-)	(101,904)	(88,730)
- net premiums collected (+)		
- other insurance income/expenses (+/-)		
- other costs (-)	(66,890)	(72,974)
- other revenues (+)	34,568	74,483
- taxes and duties (-)	(38,281)	(44,368)
- costs/revenues related to discontinued operations net of tax effect (+/-)	2,959	99,215
2. Liquidity generated (absorbed) by financial assets	(222,678)	(589,575)
- financial assets held for trading	(5,880)	9,807
- financial assets designated at fair value		
- other assets mandatorily measured at fair value	(10,486)	(4,662)
- financial assets measured at fair value through other comprehensive income	(115,488)	22,980
- financial assets measured at amortised cost	(179,818)	(667,126)
- other assets	88,994	49,426
3. Liquidity generated (absorbed) by financial liabilities	(325,674)	1,494,251
- financial liabilities measured at amortised cost	(366,221)	1,106,272
- financial liabilities held for trading	(520)	77
- financial liabilities designated at fair value		
- other liabilities	41,067	387,902
Net liquidity generated (absorbed) by operating activities (A)	(433,686)	1,130,302
B. INVESTMENT ACTIVITIES		
1. Liquidity generated by		
- sales of investments		
- dividends collected on investments		
- sales of tangible assets		
- sales of intangible assets		
- sales of subsidiaries and business units		
2. Liquidity absorbed by	(7,510)	(6,565)
- purchases of investments		55
- purchases of tangible assets	(5,717)	(4,551)
- purchases of intangible assets	(1,793)	(2,069)
- purchases of subsidiaries and business units		
Net liquidity generated (absorbed) by investment activities (B)	(7,510)	(6,565)
C. FINANCING ACTIVITIES		
- issues/purchases of treasury shares		
- issues/purchases of equity instruments		
- distribution of dividends and other purposes	(35,391)	(26,456)
- sale/purchase of minority control		
Net liquidity generated (absorbed) by financing activities (C)	(35,391)	(26,456)
NET LIQUIDITY GENERATED (ABSORBED) DURING THE YEAR (A+B+C)	(476,587)	1,097,281

RECONCILIATION

	30.06.2024	30.06.2023
Cash and cash equivalents at the beginning of the year	1,655,187	879,593
Total net liquidity generated/absorbed during the year	(476,587)	1,097,281
Cash and cash equivalents: effect of exchange rate changes	1,777	1,375
Cash and cash equivalents at the end of the year	1,180,377	1,978,249

NOTES

DRAFTING CRITERIA AND ACCOUNTING STANDARDS

GENERAL PART

Declaration of compliance with international accounting standards

These condensed consolidated half-year financial statements of the Banco Desio Group, prepared pursuant to Article 154-ter of Legislative Decree No. 58/1998 and for the purpose of determining equity, have been prepared in accordance with the IAS/IFRS in force at the reporting date, issued by the International Accounting Standards Board (IASB) with the related interpretations of the IFRS Interpretations Committee (formerly IFRIC) and endorsed by the European Commission, as established by EU Regulation No. 1606 of 19 July 2002.

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

General preparation criteria

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

For the preparation of the financial statements and the contents of the Notes, reference was made to the provisions provided by the Bank of Italy in Circular No. 262 "*Banks' financial statements: formats and rules for preparation*" of 22 December 2005 and subsequent updates were applied. Interpretative and supporting documents on the application of accounting standards issued by regulatory and supervisory bodies and standard setters were also considered, insofar as applicable.

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

The accounting standards adopted in preparing this document, as far as the classification, recognition, measurement, and derecognition of financial assets and liabilities as well as the methods for recognising revenue and costs are concerned, have not changed compared to the ones used in preparing the previous financial statements at 31 December 2023.

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

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

Scope and methods of consolidation

Subsidiaries

The condensed consolidated half-year financial statements include the balance sheet and income statement results of the Parent Company Banco di Desio e della Brianza S.p.A. and its direct and indirect subsidiaries, including structured entities, in accordance with IFRS 10.

According to the aforementioned standard, the control requirement is the basis for the consolidation of all types of entities, including structured entities, and is fulfilled if the following three requirements are simultaneously present on the part of the investor:

- power of decision over the entity's relevant activities;
- exposures, or rights, to variable returns arising from the relationship with the entity;
- ability to exercise its power to affect the amount of its returns, due to its relationship with the entity (link between power and returns).

More specifically, IFRS 10 requires that, in order to have control, the investor must have the ability to direct the relevant activities of the entity, whether by law or by mere fact, and must also be exposed to the variability of outcomes that result from that power.

In light of the regulatory references outlined above, the Group must therefore consolidate all types of entities if all three control requirements are met.

Generally, when an entity is directed by voting rights, control results from holding more than half of said rights.

In other cases, the determination of the scope of consolidation requires consideration of all factors and circumstances that give the investor the practical ability to unilaterally conduct the relevant activities of the entity (de facto control). To this end, it is necessary to consider a number of factors, such as, but not limited to:

- the purpose and design of the entity;
- the identification of relevant activities and how they are managed;
- any right held by means of contractual agreements that attribute the right to govern the relevant activities, such as 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 body with decision-making functions;
- any potential voting rights that can be exercised and are considered substantial;
- involvement in the entity in the role of agent or principal;
- nature and dispersion of any rights held by other investors.

The following provides more detailed considerations on the scope of entities under sole control at the reporting date, separately for companies governed by voting rights and structured entities.

Companies governed by voting rights

With reference to the Group's situation at the reporting date, account is taken of all companies in which a majority of the voting rights in the ordinary meeting are held as sole subsidiaries, as no evidence was found that other investors have the practical ability to direct the relevant activities.

Consolidated structured entities

Control of structured entities, i.e. entities for which voting rights are not considered relevant to establish control, is deemed to exist where the Group has contractual rights to manage the relevant assets of the entity and is exposed to the variable returns of those assets.

On this basis, the structured entities that required consolidation for the purposes of the condensed consolidated half-year financial statements at the reporting date were represented only by Desio OBG S.r.l., a special purpose company for securitisation transactions originated by the Group.

At the reporting date, the analyses carried out on the investments held by the Group in mutual and similar funds led to the exclusion of the existence of control over them; no funds were therefore included in the scope of consolidation.

Investments in jointly controlled companies and companies under significant influence

Associates, i.e. companies subject to significant influence, are considered to be non-controlled companies in which significant influence is exercised. Significant influence is presumed to be exercised in all cases where the company holds 20% or more of the voting rights and, irrespective of the share held, where there is the power to participate in the management and financial decisions of the investee companies by virtue of particular legal ties, such as shareholders' agreements, the purpose of which is for the participants in the agreement to ensure representativeness in the management bodies and to safeguard the unity of management direction, without however having control.

Investments in jointly controlled companies and companies under significant influence are valued using the equity method, based on the most recent available financial statements of the associate/jointly controlled company, appropriately adjusted for any significant events or transactions.

With reference to the Group's situation at the reporting date, Anthilia Capital Partner SGR is considered to be under significant influence, as evidence has been found that Banco Desio has the power to participate in the company's management and financial decisions by virtue of the partnership agreements signed.

Investments in wholly-controlled subsidiaries

Company names	Registered office	Type of relation	Ownership percentage	
			Investing company	Share %
Fides S.p.A.	Rome	1	Banco Desio	100.00
Dynamica Retail S.p.A.	Rome	1	Banco Desio	89.23
Dynamica Retail Agenzia in Attività Finanziaria S.r.l.	Rome	1	Dynamica Retail S.p.A.	100.00
Desio OBG S.r.l. (*)	Conegliano	1	Banco Desio	60.00

Key

Type of relation:

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

4 = other forms of control

(*) Special purpose companies of securitisation transactions originated by the Group

Changes in the scope of consolidation

The change in the scope of consolidation during the first half of the year was the entry of Dynamica Retail S.p.A. and its subsidiary Dynamica Retail Agenzia in Attività Finanziaria S.r.l., consolidated on a line-by-line basis.

The securitisation transactions ("below the line") originated by the Banco Desio Group through the special purpose companies Desio OBG S.r.l., with originator Banco Desio, and Coppedè SPV S.r.l., with originator Fides, are consolidated, in the absence of derecognition requirements, to which were added the transactions carried out in the period under review through the special purpose companies Desio SME SPV S.r.l., with originator Banco Desio, and Rainbow SPV S.r.l., with originator Dynamica Retail.

Following a refinement made in the reporting period to the Banco Desio Group's consolidation policy, for the special purpose companies, the verification of the conditions for control is carried out separately (a) for the legal entity (so-called "above the line") and (b) for separate assets (so-called "below the line"), consequently, the legal entity Coppedè SPV in which there is no equity interest and therefore no exposure to the company's variable returns is no longer consolidated.

Significant evaluations and assumptions in determining the scope of consolidation

As indicated previously, 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.

Investments in wholly-owned subsidiaries with significant minority interests

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

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

Investments with significant minority interests: accounting information

Company names	Total assets	Cash and cash equivalents	Financial assets	Tangible and intangible assets	Financial liabilities	Equity	Net interest income	Net banking income	Operating costs	Profit (loss) from current operations before taxes	Profit (loss) from current operations after taxes	Profit (loss) of groups of assets held for sale after taxes	Profit (loss) for the year (1)	Other income components net of taxes (2)	Comprehensive income (3)
															= (1) + (2)
Desio OBG S.r.l.	67	53	-	-	-	10	-	46	(46)	-	-	-	-	-	-

Significant restrictions

There are no restrictions (e.g. legal, contractual and regulatory restrictions) on the Parent Company's ability to access or utilise the Group's assets and settle its liabilities, such as, specifically, restrictions on the

ability of the Parent Company or its subsidiaries to transfer cash or restrictions on the transfer of funds in the form of dividends, loans or advances granted to (or by) other Group companies.

Other information

There are no financial statements of subsidiaries used in the preparation of the condensed consolidated half-year financial statements of the Banco Desio Group referring to a date other than that of the condensed consolidated half-year financial statements themselves.

Consolidation methods

Line-by-line consolidation method

Subsidiaries are consolidated from the date on which the Group acquires control, according to the purchase method, and cease to be consolidated from the moment control ceases.

Line-by-line consolidation involves the inclusion of the balance sheet and income statement aggregates of subsidiaries on a line-by-line basis. For consolidation purposes, the carrying amount of equity interests held by the Parent Company or other Group companies is derecognised against the assets and liabilities of the investees, with the corresponding fraction of shareholders' equity attributable to the Group and the portion attributable to minority interests, also taking into account the cost allocation at the time control was acquired (Purchase Price Allocation).

For subsidiaries, minority interests in equity, profit or loss and comprehensive income are reported separately in the respective consolidated financial statements (respectively under the items: "190. Equity attributable to minority interests", "340. Profit (Loss) for the year attributable to minority interests", "190. Consolidated comprehensive income attributable to minority interests").

In this regard, it is noted that no effect on the equity, results of operations and overall profitability attributable to minority interests resulted from the consolidation of the separate assets held by the special purpose companies of the securitisations originated by the Group, which were not derecognised in the separate financial statements of the transferring Group banks.

The costs and revenues of the subsidiary are included in the consolidation from the date control is acquired. The costs and revenues of a transferred subsidiary are included in the income statement up to the date of transfer; the difference between the transfer consideration and the carrying amount of the subsidiary's net assets is recognised in income statement item "280. Gains (Losses) on disposal of investments". In the event of a partial disposal of the subsidiary that does not result in the loss of control, the difference between the consideration for the disposal and the related carrying amount is recognised as a balancing entry in equity.

Assets, liabilities, off-balance sheet transactions, income and expenses relating to transactions between consolidated companies are fully derecognised.

For the purpose of preparing the condensed consolidated half-year financial statements at the reporting date, all exclusive subsidiaries prepared their balance sheets and income statements in accordance with the Group's accounting standards.

Equity consolidation method

Associates and jointly controlled companies are consolidated using the summary equity method.

The equity method provides for the initial recognition of the investment at cost and its subsequent value adjustment based on the share of the investee's equity.

Differences between the value of the equity investment and the equity of the relevant investee are

included in the carrying amount of the investee.

Potential voting rights, if any, are not taken into account in the valuation of the share.

The portion of the investee company's results for the year is recorded in a specific item of the consolidated income statement.

If there is evidence that an investment may be impaired, its recoverable amount is estimated considering the present value of future cash flows expected to be generated by the investment, including the value of the ultimate disposal of the investment. If the recoverable amount is lower than the carrying amount, the resulting difference is recognised in the income statement.

For the consolidation of jointly controlled companies and shareholdings in associates, the most recent (annual or interim) financial statements approved by the companies were used. In some marginal cases, the companies do not apply IAS/IFRS, and therefore, for these companies, it was verified that any application of IAS/IFRS would not have produced significant effects on the consolidated financial statements of the Banco Desio Group.

Other aspects

Use of estimates and assumptions in preparing the condensed half-year financial statements

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

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

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

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

The description of the accounting policies applied to the main aggregates of the financial statements provides more information on the subjective assumptions and assessments used in the preparation of this Consolidated half-year report.

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 Banco Desio Group 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 were part of a context already characterised by tensions in global supply chains and the residual effects of the Covid-19 epidemic.

The Central Banks' initiatives are aimed at counteracting, by means of a gradual fall in interest rates, the dynamics of inflation, which is showing a slower downward trend than imagined. Therefore, with a view to easing the restrictive monetary policy undertaken, the ECB and the Federal Reserve Bank are waiting for more evident signs of inflation convergence towards price stability, which should become apparent from the second half of 2024 onwards. These elements, together with the increasing international awareness of climate risk, are the main elements of uncertainty for future scenarios.

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 Group, 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.

As part of the process of ongoing monitoring of the application framework of IFRS 9, in consideration of the reference context still conditioned by elements of uncertainty referred to above, the Group took into account the indications contained in the documents published by various international institutions (ESMA, EBA, ECB-SSM, IFRS Foundation), aiming to achieve a balance between the need to avoid excessively pro-cyclical assumptions in the models used to estimate expected credit losses and the need to ensure that the risks to which the Group is (or will be) exposed are adequately reflected in the accounting and prudential valuations.

Therefore, taking into account the elements of macroeconomic change still present in the current market context, the Group has prudentially considered not updating the macroeconomic forecasts used to estimate expected losses with respect to those considered in preparing the 2023 financial statements.

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 section "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 the updates introduced in the measurement of expected losses on performing exposures, please refer to the paragraph "Expected losses measurement model on performing exposures" in the section "Information on risks and related hedging policies" below.

Fair value measurement of financial instruments

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

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

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

For qualitative and quantitative information on how fair value is determined, please refer to "Fair value disclosures" below of this Consolidated half-year financial report.

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

According to the provisions of IAS 36, at the end of each financial year, the so-called impairment test is performed on the Cash Generating Units (CGUs), which for the Banco Desio Group coincide with the legal entities.

The purpose of impairment testing, defined in the related Group policy and substantially unchanged compared to the previous year, is to ascertain that the carrying amount of each cash generating unit (CGU) does not exceed its recoverable amount, i.e. the benefit that can be derived from it, either through future use (value in use) or by its disposal (fair value less cost to sell), whichever is the higher.

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

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

The analysis of the main assumptions considered in order to verify the possible existence of trigger events that would entail the need to re-perform the impairment tests of investments consolidated on a line-by-line basis gave a negative result; therefore, it was not necessary to re-perform the impairment tests.

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

Estimating the recoverability of deferred tax assets

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

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

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

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

The analysis of the main assumptions considered in order to verify the possible existence of assumptions (so-called trigger events) that would entail the need to re-perform the impairment tests of investments consolidated on a line-by-line basis gave a negative result; consequently, it was not necessary to develop updated performance forecasts compared to those considered for the last annual financial statements.

For qualitative information on the method of verifying the recoverability of deferred tax assets, please refer to the following section "Tax assets - Item 110", contained in the section below "Information on the consolidated balance sheet" of this Consolidated half-year financial report.

Estimating provisions for risks and charges

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

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

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

For information on the main risk positions related to litigation (revocation actions and pending lawsuits), please refer to the section "Provisions for risks and charges - Item 100" contained in the disclosure below "Information on the consolidated balance sheet" of this Consolidated half-year financial report.

Estimating employee benefit obligations

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

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

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

Demographic assumptions	30.06.2024	31.12.2023	31.12.2022
Employee mortality rate	determined by the General Accounting Office of the State called RG48, broken down by gender		
Frequency and amount of employee severance indemnity advances		4.00%	
Turnover frequencies		2.50%	
Financial assumptions	30.06.2024	31.12.2023	31.12.2022
Iboxx Euro Corporate AA discount rate 7-10 years (*)	3.35%	3.04%	3.42%
Inflation rate	2.00%	2.00%	5.9% for 2023 (**)

(*) 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" contained in the disclosure "Information on the consolidated balance sheet" of this Consolidated half-year financial report.

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. At 30 June 2024, a TLTRO III financing line of Euro 0.445 billion (Euro 1.445 billion at 31 December 2023) remained subscribed. During this half-year, a loan facility of Euro 1.0 billion matured.

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.

At 30 June 2024, Banco Desio recognised interest expenses totalling Euro 18.6 million (compared to interest income of Euro 42.0 million at the same date of 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 Deposit Guarantee Scheme - 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.

The ordinary contribution to the SRM ended in 2023, while the one for the DGS will end in 2024, unless further funds are requested later as an extraordinary measure or due to a revision of the target allocation. With reference to the Deposit Guarantee Scheme ("DGS"), it should be noted that in 2024, the recognition was brought forward compared to previous years, to reflect the different dynamics with which the 2024 contribution was requested.

Therefore, following as outlined above, the charges relating to ordinary and extraordinary contributions paid by the Group banks are recognised in the income statement under item "180 b) Other administrative expenses", as per the indications contained in the Bank of Italy's communication of 19 January 2016.

Sales related to the "Held to Collect" business model

During the half-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 reference half-year from the sale of bonds in the HTC portfolio for Euro 4.4 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 177 million took place in compliance with the turnover thresholds set for the HTC portfolio (turnover at 30 June 2024 of 3.8% 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, 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 S.r.l., due to its nature as an SPV) adopted the so-called 'national tax consolidation' for the 2024-2026 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.

At the reporting date of 30 June 2024, the subsidiaries Dynamica Retail S.p.A. and Dynamica Retail Agenzia in Attività Finanziaria S.r.l. are not included in the tax consolidation scope, as they do not meet the legal requirements for group taxation.

Comparability of Financial Statements

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

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

Comparative information for the previous year is provided for each balance sheet and income statement, unless an accounting standard or interpretation permits or provides otherwise. The data for the comparison period can be adjusted where necessary to ensure comparability of information for the current period. In this Consolidated Financial Report, the amortised cost criterion applied to the medium/long-term loans of the subsidiary Fides has been modified to make it homogeneous with respect to the Parent Company, also restating the figures for the comparison period.

Reconciliation of the published and restated income statement at 30 June 2023

Euro/000

Income Statement items	30-06-2023	reclassifications (*)	30-06-2023 restated
10. Interest and similar income	275,263	(11,077)	264,186
of which: interest income calculated using the effective interest rate method	201,568	(11,077)	190,491
20. Interest and similar expense	(100,704)	6,671	(94,033)
30. Net interest income	174,559	(4,406)	170,153
40. Commission income	105,185	(1,428)	103,757
50. Commission expenses	(11,526)	5,834	(5,692)
60. Net commissions	93,659	4,406	98,065

(*) The amortised cost recognition method previously adopted does not highlight any critical issues with regard to the measurement and therefore, the allocation of economic accruals over time, also from a tax point of view as, for direct tax purposes, there is no different treatment of the relevant income statement items affected by the reclassifications made

Statutory Audit

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

PART RELATING TO THE MAIN ITEMS IN THE FINANCIAL STATEMENTS

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

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

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

Classification criteria

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

- financial assets held for trading, mainly consisting of debt and equity securities and the positive value of derivative contracts held for trading purposes;
- financial assets 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 item revaluation reserve; conversely, if it reverses a decrease in value of the same asset previously recognised in the income statement, it must be recognised as income;
- if the carrying amount of an asset is decreased as a result of a revaluation, the decrease must be recognised in other comprehensive income as a revaluation surplus to the extent that there is a positive valuation reserve with respect to that asset; otherwise, the decrease must be recognised in the income statement.

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

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

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

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

Derecognition criteria

Tangible assets are derecognised when they are disposed of.

Recognition criteria of income components

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

7 - Intangible assets

Classification criteria

Intangible assets include goodwill, costs for vacating non-owned premises and costs for the purchase of

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

Recognition criteria

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

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

Measurement criteria

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

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

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

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

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

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

Derecognition criteria

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

Recognition criteria of income components

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

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

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

Classification criteria

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

Recognition criteria

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

Measurement criteria

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

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

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

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

Derecognition criteria

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

9 - Current and deferred taxation

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

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

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

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

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

10 - Provisions for risks and charges

Provisions for risks and charges for commitments and guarantees given

The sub-item of provisions for risks and charges under review includes provisions for credit risk recognised against commitments to disburse funds and guarantees given that fall within the scope of application of

the impairment rules under IFRS 9. For these cases, the same methods of allocation between the three stages of credit risk and calculation of the expected loss shown with reference to financial assets measured at amortised cost or at fair value through other comprehensive income are adopted in principle.

Other provisions for risks and charges

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

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

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

Recognition criteria of income components

The allocation is recognised in the Income Statement.

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

11 - Financial liabilities measured at amortised cost

Classification criteria

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

Recognition criteria

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

Measurement criteria

After initial recognition, financial liabilities are measured at amortised cost using the effective interest rate method. An exception are short-term liabilities, for which the time factor is negligible, which remain recorded at the amount collected. Lease payables are revalued when there is a lease modification (e.g. a change in the scope of the contract), which is not accounted for/considered as a separate contract.

Derecognition criteria

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

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

12 - Financial liabilities held for trading

Recognition and classification criteria

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

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

Valuation and recognition criteria of income components

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

Derecognition criteria

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

14 - Currency transactions

Recognition criteria

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

Measurement criteria

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

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

Recognition criteria of income components

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

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

16 - Other Information

Cash and cash equivalents

This item comprises legal tender, including foreign banknotes and divisional currencies, current accounts and "demand" deposits with central banks, with the exception of the compulsory reserve, as well as

demand loans with banks. The latter definition includes liquidity that can be withdrawn at any time without notice or with 24 hours or one working day's notice.

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

Other assets

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

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

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

Other liabilities

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

This item includes but is not limited to:

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

Employee severance indemnity (TFR)

Measurement criteria

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

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

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

Recognition criteria of income components

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

Valuation reserves

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

Recognition of costs and revenues

Revenues may be recognised:

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

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

- accrued interest is recognised pro rata temporis on the basis of the contractual interest rate or the effective interest rate if amortised cost is applied. Interest income (or interest expense) also includes positive (or negative) differentials or margins accrued up to the reporting date on financial derivative contracts:
 - a) hedging of interest-bearing assets and liabilities;
 - b) classified in the Balance Sheet in the trading book, but operationally linked to financial assets and/or liabilities measured at fair value (fair value option);
 - c) operationally connected with assets and liabilities classified in the trading book and which provide for the settlement of differentials or margins at multiple maturities.

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

- any default interests, in accordance with the terms of the relevant agreement, are recognised in the Income Statement only when actually received;
- dividends are recognised in the Income Statement when the right to receive payment arises, it is probable that the economic benefits arising from them will flow to the Bank and the amount can be reliably measured;

- commissions for revenues from services are recognised, based on the existence of contractual agreements, in the period in which the services are provided. Commissions considered in amortised cost for the purpose of determining the effective rate are recognised under interest;
- revenues or costs arising from the intermediation of financial trading instruments, determined by the difference between the transaction price and the fair value of the instrument, are recognised in the income statement when the transaction is recognised if the fair value can be determined by reference to recent parameters or transactions observable on the same market on which the instrument is traded (level 1 and level 2 of the fair value hierarchy). If these values are not readily ascertainable, or if they have reduced liquidity (level 3), the financial instrument is recorded at an amount equal to the transaction price, less the trade margin; the difference with respect to the fair value flows to the Income Statement over the life of the transaction through a progressive reduction, in the valuation model, of the correction factor associated with the reduced liquidity of the instrument;
- gains and losses arising from the trading of financial instruments are recognised in the Income Statement when the sale is completed, based on the difference between the consideration paid or received and the carrying amount of the instruments;
- revenues from the sale of non-financial assets are recognised when the sale is completed, i.e. when the obligation to do so is fulfilled vis-à-vis the customer.

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

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

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 special purpose company (i.e. the segregated assets managed by the latter) falls within the definition of control⁴ 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 special purpose company and in which, even in the presence of the formal transfer of legal title to the loans,

⁴ 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.

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 special purpose company and repurchased by the originator, is allocated to Financial liabilities measured at amortised cost.

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 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 3⁵, 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

⁵ 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".

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;
- 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	17,018	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 1,230 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.

INFORMATION ON FAIR VALUE

Qualitative information

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

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

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

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

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

Fair value determined with level 1 inputs

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

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

The key elements are as follows:

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

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

Fair value levels 2 and 3: measurement techniques and inputs used

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

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

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

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

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

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

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

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

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

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

- for loans, the fair value is calculated for positions performing beyond the short term using a measurement technique that provides for the discounting of expected cash flows considering, other than the free risk rate, the credit risk of the relationship (in terms of PD and LGD recorded in the internal rating models in use), while for non-performing and short-term performing positions, the carrying amount is considered a reasonable approximation of the fair value. In general, they are classified as Level 3, unless the significance of the observable inputs with respect to the entire valuation exceeds a pre-determined threshold (Level 2), or in the case of discontinued operations/transactions in progress at the reporting date (Level 1). Taking into account the current credit market context, with

particular reference to non-performing loans, this fair value (Level 2 and 3), determined by taking into account multi-scenario assumptions involving the combination of internal management and the so-called "disposal scenario", might not represent the eventual exit price in view of a certain margin of uncertainty in any event inherent in the price formation components considered by a potential third-party purchaser;

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

Valuation processes and sensitivities

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

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

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

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

Fair value hierarchy

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

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

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

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

Other information

There is no further information beyond that given above.

Quantitative information

Fair value hierarchy

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

Financial assets/liabilities measured at fair value	30.06.2024			31.12.2023		
	L1	L2	L3	L1	L2	L3
1. Financial assets measured at fair value through profit or loss	52,295	1,400	115,252	35,235	1,573	122,467
a) Financial assets held for trading	11,720	794	512	6,232	907	759
b) Financial assets designated at fair value	-	-	-	-	-	-
c) Other financial assets mandatorily measured at fair value	40,575	606	114,740	29,003	666	121,708
2. Financial assets measured at fair value through other comprehensive income	939,739	10,000	3,208	822,257	10,000	3,208
3. Hedging derivatives	-	34,904	-	-	21,431	-
4. Tangible assets	-	-	-	-	-	-
5. Intangible assets	-	-	-	-	-	-
Total	992,034	46,304	118,460	857,492	33,004	125,675
1. Financial liabilities held for trading	-	794	436	-	1,062	688
2. Financial liabilities designated at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	4,123	-	-	14,556	-
Total	-	4,917	436	-	15,618	688

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 (10.24% at 30 June 2023 compared to 8.91% the previous year). These investments consist almost entirely of investments in UCITS mandatorily measured at fair value.

At 30 June 2024, the impact of the application of the Credit Value Adjustment and the Debit Value Adjustment on the balance sheet values was not calculated as all derivative contracts in place are backed by collateralisation agreements with counterparties to mitigate credit risk (CSA agreements).

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

	Financial assets measured at fair value through profit or loss				Financial assets measured at fair value through other comprehensive income	Hedging derivatives	Tangible assets	Intangible assets
	Total	of which: a) financial assets held for trading	of which: b) financial assets designated at fair value	of which: c) other financial assets mandatorily measured at fair value				
1. Opening balance	122,467	759	-	121,708	3,208	-	-	-
2. Increases	5,181	497	-	4,684	-	-	-	-
2.1. Purchases	2,804	-	-	2,804	-	-	-	-
2.2. Profits recognised	2,377	497	-	1,880	-	-	-	-
2.2.1. Income Statement	2,377	497	-	1,880	-	-	-	-
- of which gains	2,370	497	-	1,873	-	-	-	-
2.2.2. Equity	-	-	-	-	-	-	-	-
2.3. Transfers from other levels	-	-	-	-	-	-	-	-
2.4. Other increases	-	-	-	-	-	-	-	-
3. Decreases	12,396	744	-	11,652	-	-	-	-
3.1. Sales	-	-	-	-	-	-	-	-
3.2. Reimbursements	2,552	-	-	2,552	-	-	-	-
3.3. Losses recognised in:	9,844	744	-	9,100	-	-	-	-
3.3.1. Income Statement	9,844	744	-	9,100	-	-	-	-
- of which losses	9,844	744	-	9,100	-	-	-	-
3.3.2. Equity	-	-	-	-	-	-	-	-
3.4. Transfers from other levels	-	-	-	-	-	-	-	-
3.5. Other decreases	-	-	-	-	-	-	-	-
4. Closing balance	115,252	512	-	114,740	3,208	-	-	-

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

	Financial liabilities held for trading	Financial liabilities designated at fair value	Hedging derivatives
1. Opening balance	688	-	-
2. Increases	436	-	-
2.1 Issuances	-	-	-
2.2. Losses recognised in:	436	-	-
2.2.1. Income Statement	436	-	-
- of which losses	436	-	-
2.2.2. Equity	X	-	-
2.3. Transfers from other levels	-	-	-
2.4. Other increases	-	-	-
3. Decreases	688	-	-
3.1. Reimbursements	-	-	-
3.2. Repurchases	-	-	-
3.3. Profits recognised in:	688	-	-
3.3.1. Income Statement	688	-	-
- of which gains	688	-	-
3.3.2. Equity	X	-	-
3.4. Transfer to other levels	-	-	-
3.5. Other decreases	-	-	-
4. Closing balance	436	-	-

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

Assets/Liabilities not measured at fair value or measured at fair value on a non-recurring basis	30.06.2024				31.12.2023			
	CA	L1	L2	L3	CA	L1	L2	L3
1. Financial assets measured at amortised cost	15,038,610	2,689,621	147,566	12,190,881	14,888,148	2,596,743	240,361	10,365,661
2. Tangible assets held for investment purposes	3,390	-	-	4,434	2,790	-	-	4,434
3. Non-current assets and groups of assets held for sale	14,537	-	-	14,537	-	-	-	-
Total	15,056,537	2,689,621	147,566	12,209,852	14,890,938	2,596,743	240,361	10,370,095
1. Financial liabilities measured at amortised cost	16,429,997	-	2,481,776	13,886,040	16,795,988	-	2,205,972	14,515,893
2. Liabilities related to assets held for sale	-	-	-	-	-	-	-	-
Total	16,429,997	-	2,481,776	13,886,040	16,795,988	-	2,205,972	14,515,893

Key

CA = Carrying amount

L1 = Level 1

L2 = Level 2

L3 = Level 3

INFORMATION ON THE "DAY ONE PROFIT/LOSS"

IFRS9 - Financial Instruments requires that the initial recognition value of a financial instrument is equal to its fair value, which is usually the transaction price (i.e. the amount disbursed for financial assets and the amount received for financial liabilities). This statement is verified for transactions in instruments listed in an active market. If the market for such a financial instrument is not active, the fair value of the instrument must be determined using measurement techniques. If there is a difference (so-called "day one profit/loss") between the transaction price and the amount determined at initial recognition through the use of measurement techniques, and this difference is not immediately recognised in the income statement, it is necessary to provide the disclosures required by paragraph 28 of IFRS 7 indicating the accounting policies adopted to recognise the differences thus determined in the Income Statement, subsequent to the initial recognition of the instrument.

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

MAIN BALANCE SHEET AND INCOME STATEMENT AGGREGATES

It should be noted that the balance sheet and income statement balances for the reporting period illustrated below include the effects of the consolidation of the Dynamica financial group, which contributes, in particular, to the consolidated result for the reporting period as of 1 June 2024. Specific comments referring to the individual items of the financial statements impacted have been included, where deemed significant. Please refer to the following disclosure "Business combinations involving companies or business units" about the qualitative and quantitative impacts of applying the acquisition method in accordance with IFRS 3 Business Combinations.

ASSETS

Cash and cash equivalents - Item 10

1.1 Cash and cash equivalents: breakdown

	30.06.2024	31.12.2023
a) Cash	73,439	83,370
b) Current accounts and demand deposits with central banks	1,065,222	1,521,338
c) Current accounts and demand deposits with banks	41,716	50,479
Total	1,180,377	1,655,187

Asset item - 10. "Cash and cash equivalents" mainly consists of the amount on demand is recorded for Euro 1,065 million (formerly Euro 1,521 million) relating to the excess liquidity with respect to the commitment to maintain the Compulsory Reserve at the reference date invested in Overnight deposits.

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

2.1 Financial assets held for trading: breakdown by type

Items/Values	30.06.2024			31.12.2023		
	L1	L2	L3	L1	L2	L3
A. On-balance sheet assets						
1. Debt securities	7,053	-	-	1,819	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	7,053	-	-	1,819	-	-
2. Equity securities	4,479	-	-	4,256	-	-
3. UCITS units	125	-	-	128	-	-
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total (A)	11,657	-	-	6,203	-	-
B. Derivative instruments						
1. Financial derivatives	63	794	512	29	907	759
1.1 for trading	63	794	512	29	907	759
1.2 related to the fair value option	-	-	-	-	-	-
1.3 other	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-
2.1 for trading	-	-	-	-	-	-
2.2 related to the fair value option	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
Total (B)	63	794	512	29	907	759
Total (A+B)	11,720	794	512	6,232	907	759

Key

L1 = Level 1

L2 = Level 2

L3 = Level 3

The values for the reporting period include the effect of the consolidation of the Dynamica Group as of 1 June 2024.

Item 20 "Financial assets held for trading" comprises:

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

The 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	30.06.2024	31.12.2023
A. On-balance sheet assets		
1. Debt securities	7,053	1,819
a) Central banks	-	-
b) Public administrations	-	-
c) Banks	3,096	1,819
d) Other financial companies	3,957	-
of which: insurance companies	3,957	-
e) Non-financial companies	-	-
2. Equity securities	4,479	4,256
a) Banks	438	-
b) Other financial companies	229	297
of which: insurance companies	-	-
c) Non-financial companies	3,812	3,959
d) Other issuers	-	-
3. UCITS units	125	128
4. Loans	-	-
a) Central banks	-	-
b) Public administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total (A)	11,657	6,203
B. Derivative instruments		
a) Central counterparties	657	682
b) Other	712	1,013
Total (B)	1,369	1,695
Total (A+B)	13,026	7,898

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

Items/Values Items/Values	30.06.2024			31.12.2023		
	L1	L2	L3	L1	L2	L3
1. Debt securities	-	39	-	-	32	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	39	-	-	32	-
2. Equity securities	-	567	-	-	634	-
3. UCITS units	40,575	-	114,740	29,003	-	121,708
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total	40,575	606	114,740	29,003	666	121,708

Key

L1 = Level 1

L2 = Level 2

L3 = Level 3

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

In particular, item "3. UCITS units" includes units of closed-end funds subscribed as a result of sales of non-performing loans to the funds themselves; the fair value of fund units (level 3) is determined by applying the bank's policies for this type of financial instrument.

It is also noted that item "3. UCITS units" includes at the reference date units for Euro 14,113 thousand relative to the following funds subscribed by Banco Desio:

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

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

	30.06.2024	31.12.2023
1. Equity securities	567	634
of which: banks	-	-
of which: other financial companies	567	634
of which: non-financial companies	-	-
2. Debt securities	39	32
a) Central banks	-	-
b) Public administrations	-	-
c) Banks	-	-
d) Other financial companies	39	32
of which: insurance companies	-	-
e) Non-financial companies	-	-
3. UCITS units	155,315	150,711
4. Loans	-	-
a) Central banks	-	-
b) Public administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total	155,921	151,377

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

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

Items/Values	30.06.2024			31.12.2023		
	L1	L2	L3	L1	L2	L3
1. Debt securities	939,739	-	-	822,257	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	939,739	-	-	822,257	-	-
2. Equity securities	-	10,000	3,208	-	10,000	3,208
3. Loans	-	-	-	-	-	-
Total	939,739	10,000	3,208	822,257	10,000	3,208

Key

L1 = Level 1

L2 = Level 2

L3 = Level 3

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

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

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

Items/Values	30.06.2024	31.12.2023
Items/Values		
1. Debt securities	939,739	822,257
a) Central banks	-	-
b) Public administrations	919,514	783,372
c) Banks	19,216	38,098
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	1,009	787
2. Equity securities	13,208	13,208
a) Banks	10,000	10,000
b) Other issuers:	3,208	3,208
- other financial companies	2,224	2,224
of which: insurance companies	-	-
- non-financial companies	984	984
- other	-	-
3. Loans	-	-
a) Central banks	-	-
b) Public administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total	952,947	835,465

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	Total partial write-offs
Debt securities		940,026	940,026	-	-	-	287	-	-	-	-
Loans		-	-	-	-	-	-	-	-	-	-
Total	30.06.2024	940,026	940,026	-	-	-	287	-	-	-	-
Total	31.12.2023	822,589	822,589	-	-	-	332	-	-	-	-

Financial assets measured at amortised cost - Item 40

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

Type of transactions/Values	30.06.2024						31.12.2023					
	Carrying amount			Fair value			Carrying amount			Fair value		
	First and second stage	Third stage	Purchased or originated impaired	L1	L2	L3	First and second stage	Third stage	Purchased or originated impaired	L1	L2	L3
A. Loans with Central Banks	96,673	-	-	-	-	96,673	58,568	-	-	-	-	58,568
1. Fixed-term deposits	-	-	-	X	X	X	-	-	-	X	X	X
2. Compulsory reserve	96,673	-	-	X	X	X	58,568	-	-	X	X	X
3. Repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
4. Other	-	-	-	X	X	X	-	-	-	X	X	X
B. Loans with banks	828,683	-	-	593,438	18,369	219,066	804,366	-	-	555,800	10,593	175,861
1. Loans	214,684	-	-	-	-	217,266	234,771	-	-	-	-	174,061
1.1 Current accounts	-	-	-	X	X	X	-	-	-	X	X	X
1.2. Fixed-term deposits	14,777	-	-	X	X	X	26,521	-	-	X	X	X
1.3. Other loans:	199,907	-	-	X	X	X	208,250	-	-	X	X	X
- Reverse repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
- Loans for leases	-	-	-	X	X	X	-	-	-	X	X	X
- Other	199,907	-	-	X	X	X	208,250	-	-	X	X	X
2. Debt securities	613,999	-	-	593,438	18,369	1,800	569,595	-	-	555,800	10,593	1,800
2.1 Structured securities	3,787	-	-	3,721	-	-	3,741	-	-	3,582	-	-
2.2 Other debt securities	610,212	-	-	589,717	18,369	1,800	565,854	-	-	552,218	10,593	1,800
Total	925,356	-	-	593,438	18,369	315,739	862,934	-	-	555,800	10,593	234,429

Key

L1 = Level 1

L2 = Level 2

L3 = Level 3

The values for the reporting period include the effect of the consolidation of the Dynamica Group as of 1 June 2024.

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 compulsory reserve amounted to Euro 109.8 million at 30 June (Euro 109.2 million commitment at December 2023).

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 1,065 million (Euro 1,521 million at the end of the previous period) relating to cash in excess of the compulsory reserve at the reporting date as it is invested in overnight deposits at central banks and therefore reported under item 10. "Cash and cash equivalents".

The segmentation into stages is done in accordance with the following requirements of the accounting standard "IFRS 9 Financial Instruments" in force since 1 January 2018:

- a) stage 1 for exposures with performance in line with expectations;
- b) stage 2 for exposures with performance below expectations, i.e., that have experienced a significant increase in credit risk relative to when they originated (i.e. were purchased);
- c) stage 3 for non-performing exposures.

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

Type of transactions/Values	30.06.2024						31.12.2023					
	Carrying amount			Fair value			Carrying amount			Fair value		
	First and second stage	Third stage	Purchased or originated impaired	L1	L2	L3	First and second stage	Third stage	Purchased or originated impaired	L1	L2	L3
1. Loans	11,441,972	196,820	11,165	-	-	11,752,318	11,449,956	185,887	17,783	-	-	10,131,232
1. Current accounts	843,846	18,363	283	X	X	X	871,119	15,602	1,333	X	X	X
2. Reverse repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
3. Mortgages	7,748,641	152,569	10,745	X	X	X	7,982,462	148,242	16,311	X	X	X
4. Credit cards, personal loans and salary-backed loans	1,680,531	13,057	-	X	X	X	1,430,968	9,197	1	X	X	X
5. Loans for leases	149,671	4,642	-	X	X	X	149,843	4,563	3	X	X	X
6. Factoring	84,245	3,045	-	X	X	X	92,218	3,122	-	X	X	X
7. Other loans	935,038	5,144	137	X	X	X	923,346	5,161	135	X	X	X
2. Debt securities	2,463,297	-	-	2,096,183	129,197	122,824	2,371,588	-	-	2,040,943	229,768	-
1. Structured securities	2,000	-	-	-	2,016	-	1,982	-	-	-	2,016	-
2. Other debt securities	2,461,297	-	-	2,096,183	127,181	122,824	2,369,606	-	-	2,040,943	227,752	-
Total	13,905,269	196,820	11,165	2,096,183	129,197	11,875,142	13,821,544	185,887	17,783	2,040,943	229,768	10,131,232

Key

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

The values for the reporting period include the effect of the consolidation of the Dynamica Group as of 1 June 2024.

Gross loans totalled Euro 11,946,307 thousand (Euro 11,952,134 thousand at the end of the previous year), of which Euro 11,552,125 thousand (Euro 11,565,540 thousand at the end of the previous year) related to performing loans and Euro 394,182 thousand (Euro 386,594 thousand at the end of the previous year) to non-performing loans.

The overall value adjustments relating to the same loans amount to Euro 296,350 thousand (Euro 298,508 thousand at the end of the previous year), of which 189,616 thousand (Euro 186,281 thousand at the end of the previous year) relating to non-performing loans and Euro 106,724 thousand (Euro 112,227 thousand at the end of the previous year) to performing loans.

The table also includes the amounts of transferred receivables that were not written off and constituted eligible assets for the Guaranteed Bank Bonds (G-Bonds) issue programme; at 30 June 2024, these receivables amounted to Euro 2,427,965 thousand (formerly Euro 1,979,936 thousand).

It is also noted that the sub-item "Mortgages" includes the amount of mortgages collateralised with the European Central Bank (through the A.Ba.Co. procedure) for Euro 2,144,428 thousand (Euro 2,443,984 thousand at the end of the previous year).

The item "Credit cards, personal loans and salary-backed loans" includes:

a) receivables for personal loans and salary-backed loans of the subsidiary Fides for 1,257,554 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;

b) receivables for personal loans and salary-backed loans of Subsidiary Dynamica Retail S.p.A. for 67,526 thousand relative to receivables sold to the special purpose company Rainbow SPV and not cancelled by Subsidiary Dynamica Retail S.p.A..

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

This item also includes interest counted at 30 June 2023 and due on 1 March of the year subsequent to the year in which it accrued following the application of the rules for the computation of interest in banking transactions defined in Decree No. 343/2016 of the MEF, implementing Article 120 paragraph 2 of the Consolidated Law on Banking (T.U.B.).

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

The fair value of loans is calculated for performing positions over the short term using a measurement technique that involves discounting expected cash flows considering the credit risk of the relationship, while for non-performing and short-term performing positions the carrying amount is considered a reasonable approximation of fair value. Considering the current context of the credit market, with particular reference to non-performing loans, this fair value may not represent the eventual exit price in consideration of a certain margin of uncertainty in any case inherent in the price formation components considered by a potential third-party purchaser.

Item "2. Debt securities" includes securities held under the "held to collect" business model, i.e. held with the intention of collecting contractual cash flows. The value of debt securities is shown net of value adjustments resulting from the application of the new models to determine the expected loss on the "held-to-collect" debt securities portfolio in application of accounting standard "IFRS9 - Financial Instruments".

Included in this portfolio are Euro 102,722 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	30.06.2024			31.12.2023		
	First and second stage	Third stage	Purchased or originated impaired assets	First and second stage	Third stage	Purchased or originated impaired assets
1. Debt securities	2,463,297	-	-	2,371,588	-	-
a) Public administrations	2,114,895	-	-	1,971,293	-	-
b) Other financial companies	287,905	-	-	339,055	-	-
of which: insurance companies	-	-	-	-	-	-
c) Non-financial companies	60,497	-	-	61,240	-	-
2. Loans to:	11,441,972	196,820	11,165	11,449,956	185,887	17,783
a) Public administrations	352,978	638	225	301,071	438	229
b) Other financial companies	215,226	180	22	203,358	51	22
of which: insurance companies	9,196	-	-	8,949	-	-
c) Non-financial companies	5,178,897	133,792	4,414	5,404,348	127,915	7,818
d) Households	5,694,871	62,210	6,504	5,541,179	57,483	9,714
Total	13,905,269	196,820	11,165	13,821,544	185,887	17,783

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	2,982,336	2,913,794	105,181	-	-	7,762	2,459	-	-	-
Loans	9,926,601	53,117	1,933,513	383,235	14,493	16,383	90,402	186,415	3,328	18,608
Total 30.06.2024	12,908,937	2,966,911	2,038,694	383,235	14,493	24,145	92,861	186,415	3,328	18,608
Total 31.12.2023	12,613,975	2,890,557	2,193,498	368,423	21,660	24,264	98,730	182,536	3,877	18,708

The table provides the breakdown of exposures measured at amortised cost (both to banks and customers) and the related value adjustments in the three stages with increasing levels of credit risk (due to changes over time) provided for in IFRS 9 "Financial Instruments". In particular, the segmentation into stages takes place according to the following requirements:

- a) stage 1 for exposures with performance in line with expectations;
- b) stage 2 for exposures with performance below expectations, i.e., that have experienced a significant increase in credit risk relative to when they originated (i.e. were purchased);
- c) stage 3 for non-performing exposures.

The stage allocation is relevant for the application of the impairment calculation model based on expected losses, determined on the basis of past events, current conditions and reasonable and "supportable" future forecasts. In particular, the expected loss calculation model is characterised by the following aspects:

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

With reference to debt securities only, the so-called "low credit risk exemption", under which exposures are identified as low credit risk exposures and therefore to be considered in stage 1 if, at each reporting date, they are rated investment grade or better (or similar quality), regardless of whether or not the rating has deteriorated since the time of purchase of the security.

Hedging derivatives - Item 50

5.1 Hedging derivatives: breakdown by hedge type and level

	30.06.2024				31.12.2023			
	FV			NV	FV			NV
	L1	L2	L3		L1	L2	L3	
A. Financial derivatives		34,904		675,000		21,431		445,000
1) Fair value	-	34,904	-	675,000	-	21,431	-	445,000
2) Cash Flows	-	-	-	-	-	-	-	-
3) Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives								
1) Fair value	-	-	-	-	-	-	-	-
2) Cash Flows	-	-	-	-	-	-	-	-
Total	-	34,904	-	675,000	-	21,431	-	445,000

Key

NV = Notional value

L1 = Level 1

L2 = Level 2

L3 = Level 3

Banco Desio has put in place a strategy to hedge its assets.

The item includes:

- the fair value of derivative financial instruments put in place to hedge the interest rate risk of financial assets classified in the held-to-collect portfolio (fair value hedge);
- the fair value of derivative financial instruments put in place to hedge fluctuations in market rates, in relation to fixed-rate mortgages with performing credit status concluded with customers in order to carry out "hedge accounting" according to an approach defined as Dynamic Macro Fair Value Hedge.

It should also be noted that, in 2023, the Bank joined the Clearing service for OTC interest rate derivatives by identifying the central counterparty (Eurex Clearing) for clearing derivative transactions.

Value adjustments of financial assets with macro hedge - Item 60

6.1 Value adjustment of hedged assets: breakdown by hedged portfolio

Value adjustment of hedged assets/Values	30.06.2024	31.12.2023
1. Positive adjustment	1,062	7,883
1.1 of specific portfolios:	1,062	7,883
a) financial assets measured at amortised cost	1,062	7,883
b) financial assets measured at fair value through other comprehensive income	-	-
1.2 total	-	-
2. Negative adjustment	(16,919)	(11,956)
2.1 of specific portfolios:	(16,919)	(11,956)
a) financial assets measured at amortised cost	(16,919)	(11,956)
b) financial assets measured at fair value through other comprehensive income	-	-
2.2 total	-	-
Total	(15,857)	(4,073)

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.

Investments - Item 70

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

7.1 Investments: information on shareholdings

Company names	Registered office	Operational office	Investment %	Availability of votes %
B. Companies subject to significant influence				
Anthilia Capital Partners SGR S.p.A.	Milan	Milan	15.000	15.000

7.2 Significant investments: carrying amount, fair value and dividends received

Company names	Carrying amount	Fair value	Dividends received
B. Companies subject to significant influence			
Anthilia Capital Partners SGR S.p.A.	4,946	-	116
Total	4,946	-	116

7.3 Significant investments: accounting information

Company names	Cash and cash equivalents	Financial assets	Non-financial assets	Financial liabilities	Non-financial liabilities	Total revenues	Net interest income	Value adjustments and reversals on tangible and intangible assets	Profit (loss) from current operations before taxes	Profit (loss) from current operations after taxes	Profit (loss) of groups of assets held for sale after taxes	Profit (loss) for the year (1)	Other income components net of taxes (2)	Comprehensive income (3) = (1) + (2)
B. Companies subject to significant influence														
Anthilia Capital Partners SGR S.p.A.	X	8,012	3,779	1,553	3,374	6,152	X	X	1,253	833	-	833	-	833

Trigger event analysis for impairment testing of investments (associates)

According to the provisions of IAS 36, an impairment test is carried out on equity investments at the end of each financial year.

The purpose of impairment testing, defined in the related Group policy and substantially unchanged compared to the previous year, is to ascertain that the carrying amount of each investments does not exceed its recoverable amount, i.e. the benefit that can be derived from it, either through future use (value in use) or by its disposal (fair value less cost to sell), whichever is the higher.

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

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

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

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

In accordance with IAS 28 *Investments in Associates and Joint Ventures*, significant influence is the power to participate in determining the financial and operating policies of an investee without having control or joint control over it. IAS 28 also introduces a relative presumption of significant influence whenever the investor owns - directly or indirectly - 20% or more of the voting rights. If the investment is 20% or more, the onus will be on the investor to prove the absence of significant influence. Conversely, where the investment is less than 20%, the onus will be on the investor to prove the existence of significant influence.

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

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

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

7.8 Commitments relating to investments in companies subject to significant influence

Commitments arising from agreements with Anthilia on asset management

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

7.9 Significant restrictions

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

Tangible assets - Item 90

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

Assets/Values	30.06.2024	31.12.2023
1. Owned assets	171,623	170,936
a) land	54,776	54,529
b) buildings	97,413	97,921
c) furniture	3,281	3,372
d) electronic equipment	5,729	4,723
e) other	10,424	10,391
2. Rights of use acquired through leases	56,435	57,268
a) land	-	-
b) buildings	54,805	56,414
c) furniture	-	-
d) electronic equipment	-	-
e) other	1,630	854
Total	228,058	228,204
of which: obtained through enforcement of guarantees received	-	-

The estimated useful life for the main categories of assets is established as follows:

- buildings: 50 years,
- office furniture, furnishings and various equipment, armoured counters and compasses, alarm systems: 10 years,
- terminals and PCs, mixed-use: 4 years.

Within the individual types of assets, where necessary, certain types are identified to which further specified useful lives are attributed.

Depreciation is calculated on a straight-line basis for all classes of tangible assets, except for land and works of art, which are not depreciated.

Item "2. Rights of use acquired through leases" includes, in application of IFRS16 "Leases" effective from 1 January 2019, assets consisting of the rights of use that are the subject of lease agreements (so-called "Right of Use Assets" or "RoU Assets"), calculated as the sum of the lease liability, initial direct costs, payments made on or before the effective date of the agreement (net of any lease incentives received) and decommissioning and/or restoration costs.

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

Assets/Values	30.06.2024				31.12.2023			
	Carrying amount	Fair value			Carrying amount	Fair value		
		L1	L2	L3		L1	L2	L3
1. Owned assets	3,390	-	-	4,434	2,790	-	-	4,434
a) land	1,208	-	-	1,663	1,067	-	-	1,663
b) buildings	2,182	-	-	2,771	1,723	-	-	2,771
2. Rights of use acquired through leases	-	-	-	-	-	-	-	-
a) land	-	-	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-	-	-
Total	3,390	-	-	4,434	2,790	-	-	4,434
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.

Intangible assets - Item 100

10.1 Intangible assets: breakdown by type of asset

Assets/Values	30.06.2024		31.12.2023	
	Definite duration	Indefinite duration	Definite duration	Indefinite duration
A.1 Goodwill		15,322		15,322
A.1.1 attributable to the Group		15,322		15,322
A.1.2 attributable to minority interests		-		-
A.2 Other intangible assets	25,940	-	26,297	-
of which: software	5,089	-	4,934	-
A.2.1 Assets measured at cost:	25,940	-	26,297	-
a) Internally generated intangible assets	218	-	-	-
b) Other assets	25,722	-	26,297	-
A.2.2 Assets measured at fair value:	-	-	-	-
a) Internally generated intangible assets	-	-	-	-
b) Other assets	-	-	-	-
Total	25,940	15,322	26,297	15,322

Goodwill recorded in the financial statements, as it has indefinite useful life, is not subject to systematic amortisation but is subject to an impairment test at least once a year and in particular for the purpose of preparing the financial statements or whenever circumstances arise that lead to the expectation of a reduction in value (see section below "Analysis of trigger events for goodwill impairment tests").

Other intangible assets are amortised on a straight-line basis over their useful life, which for premises vacancy allowances is estimated to be equal to the duration of the lease agreement, for machine-related software is 4 years, and for application software is 4 or 5 years, depending on the useful life further specified within the asset class.

Trigger event analysis for impairment testing of goodwill

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

The purpose of impairment testing, defined in the related Group policy and substantially unchanged compared to the previous year, is to ascertain that the carrying amount of each cash generating unit (CGU) does not exceed its recoverable amount, i.e. the benefit that can be derived from it, either through future use (value in use) or by its disposal (fair value less cost to sell), whichever is the higher.

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

The trigger event analysis was carried out in relation to the main assumptions typically considered in year-end impairment tests, which are identified with particular reference to the economic result compared to

forecasts, the development of risk-weighted assets (RWA), regulatory ratios (with particular reference to higher capital absorption) and the cost of equity (Ke).

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

Tax assets and tax liabilities - Item 110 of Assets and Item 60 of Liabilities

Tax assets and liabilities arising from the application of "deferred taxation" originate as a result of temporary differences between the balance sheet values in the financial statements and the corresponding tax values.

The theoretical tax rates applied to temporary differences are those in effect at the time of their absorption.

Deferred tax assets are recognised when their recovery is probable. In particular, it should be noted that they refer for an amount of Euro 49,575 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 values for the reporting period include the effect of the consolidation of the Dinamica Group as of 1 June 2024.

11.1 Deferred tax assets: breakdown

	IRES	IRAP	30.06.2024	31.12.2023
A) balancing item in income statement:				
Tax losses	4,350	-	4,350	
Tax-deductible goodwill	2,396	485	2,881	3,153
Impairment of loans to customers deductible on a straight-line basis	54,236	7,773	62,009	77,868
Lump-sum provision for bad debts	305	-	305	305
Statutory depreciation of tangible assets	444	1	445	445
Provision for commitment guarantees and country risk	835	-	835	1,052
Provision for personnel expenses	4,959	799	5,758	7,184
Provision for lawsuits	3,117	-	3,117	3,022
Provision for revocation	456	92	548	471
Provision for miscellaneous charges	8,671	1,211	9,882	4,328
Tax allocation for employee severance indemnity	4	-	4	4
Other overheads deductible in the following year	2	-	2	9
Other	10,440	689	11,129	11,056
Total A	90,215	11,050	101,265	108,897
B) balancing item in equity:				
Tax allocation for employee severance indemnity	721	-	721	721
Impairment of securities classified at FVOCI	7,124	1,444	8,568	9,050
Other	58	12	70	74
Total B	7,903	1,456	9,359	9,845
Total (A+B)	98,118	12,056	110,624	118,742

11.2 Deferred tax liabilities: breakdown

	IRES	IRAP	30.06.2024	31.12.2023
A) balancing item in income statement:				
Tax depreciation of tangible assets	-	13	13	13
Tax amortisation of goodwill	33	7	40	35
Tax-insignificant intangibles	5,290	1,071	6,361	6,585
Other	746	5	751	750
Total A	6,069	1,096	7,165	7,383
B) balancing item in equity				
Tax allocation for employee severance indemnity	4	-	4	4
Revaluation of securities classified at FVOCI	62	12	74	833
Revaluation of artistic heritage	39	8	47	47
Total B	105	20	125	884
Total (A+B)	6,174	1,116	7,290	8,267

Non-current assets and groups of assets held for sale and related liabilities - Item 110 of Assets and Item 70 of Liabilities

This item includes net non-performing loans, the sale of which was completed in July 2024.

Other assets - Item 130

13.1 Other assets: breakdown

	30.06.2024	31.12.2023
Tax credits		
- principal share	368,877	453,303
Receivables from tax authorities for advances paid	27,590	22,728
Withholding taxes incurred	23	4
Negotiated cheques to be settled	11,629	12,529
Security deposits	9	-
Invoices issued for collection	113	78
Debtors for third-party securities and coupons to be collected	211	200
Items being processed and in transit with branches	60,314	36,317
Leasehold improvements	5,870	6,341
Accrued and deferred assets	28,157	28,737
Other items	47,188	42,688
Total	549,981	602,925

The values for the reporting period include the effect of the consolidation of the Dynamica Group as of 1 June 2024.

The item "Tax credits" mainly refers:

- for Euro 357,426 thousand (formerly Euro 442,773 thousand) 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 of the Consolidated financial report at 30 June 2024, to which reference should be made;
- for Euro 1,122 thousand (formerly Euro 1,121 thousand), to the receivable related to the management of mortgages disbursed for reconstruction after the 2009 Abruzzo earthquake;
- for Euro 8,939 thousand (formerly Euro 7,027 thousand), to the receivable related to the management of mortgages disbursed for reconstruction after the 2016 Central Italy earthquake.

The amount of ecobonus/sismabonus 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 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 to cautiously maintain the overall allocation of Euro 31.2 million.

"Receivables from tax authorities for advances paid" refer to taxes for which greater advance payments made for law obligations have been made than the debt that will result from the specific declarations; in detail, they concern:

- the receivable for stamp duty paid virtually in the amount of Euro 26,470 thousand (Euro 16,676 thousand at the end of the previous period);

- the receivable for the advance payment of the substitute tax due on administered "capital gain" in the amount of Euro 1,119 thousand, pursuant to Art. 2, paragraph 5 of Decree Law No. 133 of 30 November 2013 (formerly 5,099 thousand).

Among "Items being processed and in transit with branches" the most significant items relate to F24 proxies accepted that will be debited on the due date for Euro 29,480 thousand (Euro 6,537 thousand at the end of the previous year), recovery of commission for making funds available from customers for Euro 8,933 thousand (Euro 9,101 thousand at the end of the previous year), transfers in process amounting to Euro 3,256 thousand (Euro 3,661 thousand at the end of the previous year), items awaiting settlement relating to electronic payment cards amounting to Euro 2,182 thousand (Euro 6,429 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 month.

"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 of Euro 5,215 thousand from financial advisors for the portion paid as entry bonus and not yet accrued (Euro 5,634 thousand at the end of the previous year);
- invoices to be issued for Euro 1,302 thousand (Euro 2,095 thousand at the end of the previous year).

LIABILITIES

Financial liabilities measured at amortised cost - item 10

1.1 Financial liabilities measured at amortised cost: breakdown by type of payables to banks

Type of transactions/Values	30.06.2024				31.12.2023			
	CA	Fair Value			CA	Fair Value		
		L1	L2	L3		L1	L2	L3
1. Payables to central banks	467,107	X	X	X	1,479,445	X	X	X
2. Payables to banks	589,111	X	X	X	470,620	X	X	X
2.1 Current accounts and demand deposits	21,398	X	X	X	25,388	X	X	X
2.2 Fixed-term deposits	-	X	X	X	-	X	X	X
2.3 Loans	567,367	X	X	X	445,232	X	X	X
2.3.1 Repurchase agreements	412,797	X	X	X	445,232	X	X	X
2.3.2 Other	154,570	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	346	X	X	X	-	X	X	X
Total	1,056,218	-	-	1,056,218	1,950,065	-	-	1,950,065

Key

CA = Carrying amount

L1 = Level 1

L2 = Level 2

L3 = Level 3

The values for the reporting period include the effect of the consolidation of the Dynamica Group as of 1 June 2024.

The item "Payables to central banks" represents the balance of the financing line granted to the Bank by the European Central Bank in the context of the "TLTRO" operations. Against this loan, the Bank granted collateralised loans to the ECB itself (through the A.Ba.Co. procedure).

Total TLTRO III loans outstanding at 30 June 2024 amounted to Euro 0.4 billion (formerly Euro 1.4 billion); the reduction compared to the previous year is attributable to the repayment due to reaching maturity of a loan facility.

At 30 June 2024, the item interest expense includes amounts accrued during the year for Euro 18.6 million.

Item "2.3.1 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.

Item "2.3.2 Other" includes the mortgages sold as part of the securitisation transaction to the specially established securitisation company, Desio SME SPV Srl.

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

Type of transactions/Values	30.06.2024				31.12.2023			
	CA	Fair Value			CA	Fair Value		
		L1	L2	L3		L1	L2	L3
1. Current accounts and demand deposits	9,905,057	X	X	X	10,116,726	X	X	X
2. Fixed-term deposits	799,714	X	X	X	1,012,693	X	X	X
3. Loans	1,649,193	X	X	X	1,101,325	X	X	X
3.1 Repurchase agreements	984,216	X	X	X	607,637	X	X	X
3.2 Other	664,977	X	X	X	493,688	X	X	X
4. Payables for commitments to repurchase own equity instruments	-	X	X	X	-	X	X	X
5. Lease payables	58,008	X	X	X	58,693	X	X	X
6. Other payables	134,825	X	X	X	46,667	X	X	X
Total	12,546,797	-	-	12,546,797	12,336,104	-	-	12,336,104

Key

CA = Carrying amount

L1 = Level 1

L2 = Level 2

L3 = Level 3

The values for the reporting period include the effect of the consolidation of the Dynamica Group as of 1 June 2024.

Item "3.1 Repurchase Agreements" includes Euro 12,731 thousand relating to REPO loans implemented by the Intesa Group's "Duomo" company with underlying Class A bonds issued by Dyrect SPV srl as part of the Dyrect II and Direct III securitisation as well as Class A bonds issued as part of the Rainbow Spv Srl securitisation transaction.

Item "3.2 Loans: Other" includes 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 by Cassa Depositi e Prestiti for a total of Euro 334 million.

Item "5. Lease payables" are recognised, in application of IFRS16, liabilities associated with lease liabilities, consisting of the present value of payments still to be paid to the lessor at the measurement date.

The main items under item "6. Other payables" include: cashier's cheques in the amount of Euro 40,646 thousand, cashier's drafts in the amount of Euro 540 thousand (at the end of the previous year, cashier's cheques were Euro 40,520 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 29,027 thousand (formerly Euro 1,914 thousand). In particular, the item includes the payable to Senior underwriters correlated to the Rainbow Spv securitisation transaction for Euro 54,249 thousand and the payable to Mezzanine underwriters correlated to the Rainbow Spv securitisation transaction for Euro 4,479 thousand.

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

Type of securities/Values	30.06.2024				31.12.2023			
	CA	Fair Value			CA	Fair Value		
		L1	L2	L3		L1	L2	L3
A. Securities								
1. bonds	2,826,773	-	2,481,776	282,816	2,509,466	-	2,205,972	229,371
1.1 structured	-	-	-	-	-	-	-	-
1.2 other	2,826,773	-	2,481,776	282,816	2,509,466	-	2,205,972	229,371
2. other securities	209	-	-	209	353	-	-	353
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	209	-	-	209	353	-	-	353
Total	2,826,982	-	2,481,776	283,025	2,509,819	-	2,205,972	229,724

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.

Item "A.1.2 Bonds: other" includes the Guaranteed Bank Bonds (G-Bonds) totalling Euro 1,684 million issued.

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

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

1.4 Detail of item "10.c) Debt securities issued": subordinated securities

Bonds	Issue date	Maturity date	Currency	Rate	30.06.2024	31.12.2023
ISIN Code IT0005554644	06.07.2023	06.07.2033	Euro	TF	65,404	62,544
Total					65,404	62,544

Financial liabilities held for trading - Item 20

2.1 Financial liabilities held for trading: breakdown by type

Type of transactions/Values	30.06.2024					31.12.2023				
	NV	Fair Value			Fair Value *	NV	Fair Value			Fair Value *
		L1	L2	L3			L1	L2	L3	
A. On-balance sheet liabilities										
1. Payables to banks	-	-	-	-	-	-	-	-	-	-
2. Payables to customers	-	-	-	-	-	-	-	-	-	-
3. Debt securities	-	-	-	-	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-	-	-	-	-
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Other bonds	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	-	-	-	-	-	-	-	-	-	-
3.2.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2.2 Other	-	-	-	-	X	-	-	-	-	X
Total A	-	-	-	-	-	-	-	-	-	-
B. Derivative instruments										
1. Financial derivatives	-	-	794	436	-	-	-	1,062	688	-
1.1 For trading	X	-	794	436	X	X	-	1,062	688	X
1.2 Related to the fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Other	X	-	-	-	X	X	-	-	-	X
2. Credit derivatives	-	-	-	-	-	-	-	-	-	-
2.1 For trading	X	-	-	-	X	X	-	-	-	X
2.2 Related to the fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total B	X	-	794	436	X	X	-	1,062	688	X
Total (A+B)	X	-	794	436	X	X	-	1,062	688	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.

Hedging derivatives - Item 40

4.1 Hedging derivatives: breakdown by hedge type and levels

	30.06.2024				31.12.2023			
	Fair value			NV	Fair value			NV
	L1	L2	L3	30.06.2024	L1	L2	L3	31.12.2023
A. Financial derivatives	-	4,123	-	380,000	-	14,556	-	610,000
1) Fair value	-	4,123	-	380,000	-	14,556	-	610,000
2) Cash flows	-	-	-	-	-	-	-	-
3) Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	-	-	-	-	-	-	-	-
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	-	4,123	-	380,000	-	14,556	-	610,000

Key

NV = Notional value

L1 = Level 1

L2 = Level 2

L3 = Level 3

Banco Desio has put in place a 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.

Other liabilities - Item 80

8.1 Other liabilities: breakdown

	30.06.2024	31.12.2023
Payables to tax authorities	107	168
Amounts to be paid to the tax authorities on behalf of Third Parties	59,655	44,725
Social security contributions to be reimbursed	4,573	8,625
Shareholders dividend account	34	25
Suppliers	23,350	31,797
Amounts available to customers	14,955	14,769
Payments against provision on bills	319	87
Advance payments on overdue receivables	1,328	1,050
Items being processed and in transit with branches	30,098	22,680
Currency deviations on portfolio transactions	14,733	18,267
Payables to employees	2,143	2,252
Sundry creditors	177,788	134,619
Accrued and deferred liabilities	22,619	15,387
Total	351,702	294,451

The values for the reporting period include the effect of the consolidation of the Dynamica Group as of 1 June 2024.

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 month. The main among these items are those relating to:

- bank transfers being processed for a total of Euro 4,682 thousand (formerly Euro 2,507 thousand);
- M.A.V., R.A.V., slips and SDD provisions in the amount of Euro 500 thousand (formerly Euro 618 thousand);
- items related to securities transactions subsequently settled in the amount of Euro 1,265 thousand (formerly Euro 2,581 thousand);
- collections related to factoring transactions from customers in the amount of Euro 4,863 thousand (Euro 6,785 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 911 thousand (formerly Euro 1,582 thousand) and the valuation of holidays and leave not taken totalling Euro 520 thousand (formerly Euro 530 thousand).

The main items making up the item "Sundry creditors" regard: outgoing transfers to be settled in the Clearing House in favour of account holders of other banks totalling Euro 126,582 thousand (Euro 117,213 thousand in the comparison period), instalments of loans payable to CDP pending settlement in the first few days of the following month in the amount of Euro 20,343 thousand (Euro 2,525 thousand in the comparison period), and the contribution to the DGS fund totalling Euro 10,832 thousand settled in the first few days of July 2024.

Provisions for risk and charges - Item 100

10.1 Provisions for risks and charges: breakdown

Items/Components	30.06.2024	31.12.2023
1. Provisions for credit risk related to commitments and financial guarantees given	3,306	4,096
2. Provisions on other commitments and other guarantees given	-	-
3. Company pension funds	-	-
4. Other provisions for risks and charges	74,088	59,256
4.1 legal and tax disputes	12,553	12,885
4.2 personnel expenses	18,875	23,101
4.3 other	42,660	23,270
Total	77,394	63,352

The values for the reporting period include the effect of the consolidation of the Dynamica Group as of 1 June 2024.

Item "1. Provisions for credit risk related to commitments and financial guarantees given" include the provision for risks determined by applying the expected loss calculation models defined in the first-time adoption of "IFRS 9 Financial Instruments".

The sub-item "4.1 legal disputes" includes allocations set aside to cover expected losses on disputes, of which Euro 9,790 thousand for lawsuits (Euro 11,421 thousand at the end of the previous year) and Euro 1,372 thousand for bankruptcy revocatory actions (Euro 1,465 thousand at the end of the previous year).

Item "4.2 personnel expenses" mainly includes the estimated liabilities for redundancy costs in the amount of Euro 103 thousand (formerly Euro 260 thousand), for the bonus system in the amount of Euro 14,387 thousand (formerly Euro 18,893 thousand), seniority bonuses and additional holidays in the amount of Euro 3,364 thousand, which remains unchanged compared to the comparison period.

Item "4.3 Other" includes: a) provisions for other operating risks, including the assessment of transparency risk for Euro 13.2 million, for which reference should be made to the disclosure in the Consolidated Report on Operations, and provisions set aside against contractually established incentives for financial advisors upon the accrual of certain conditions.

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

13.1 "Capital" and "Treasury shares": breakdown

	30.06.2024	31.12.2023
A. Capital	70,693	70,693
A.1 Ordinary shares	70,693	70,693
A.2 Savings shares	-	-
A.3 Privileged shares	-	-
A.4 Other shares	-	-
B. Treasury shares	-	-
B.1 Ordinary shares	-	-
B.2 Savings shares	-	-
B.3 Privileged shares	-	-
B.4 Other shares	-	-
Total	70,693	70,693

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

Equity attributable to minority interests – Item 190

14.1 Detail of item 190 "Equity attributable to minority interests"

Company names	30.06.2024	31.12.2023
Investments in consolidated companies with significant minority interests	895	4
Desio OBG S.r.l.	4	4
Dynamica Retail S.p.A	891	-
Other investments	-	10
Coppedè SPV Srl	-	10
Total	895	14

The table shows the fraction of consolidated equity relating to shares or quotas attributable to minority interests. For more details on the changes in the scope of consolidation during the reporting period, please refer to the section "Scope and methods of consolidation" in the General Part of the "Drafting criteria and accounting standards" of this Report.

INCOME STATEMENT

Interest - Items 10 and 20

1.1 Interest and similar income: breakdown

Items/technical forms	Debt securities	Loans	Other transactions	30.06.2024	30.06.2023
1. Financial assets measured at fair value through profit or loss:	126	-	-	126	355
1.1 Financial assets held for trading	122	-	-	122	285
1.2 Financial assets designated at fair value	-	-	-	-	-
1.3 Other financial assets mandatorily measured at fair value	4	-	-	4	70
2. Financial assets measured at fair value through other comprehensive income	10,147	-	X	10,147	7,985
3. Financial assets measured at amortised cost:	42,454	258,431	-	300,885	244,642
3.1 Loans with banks	10,574	33,837	X	44,411	28,451
3.2 Loans to customers	31,880	224,594	X	256,474	216,191
4. Hedging derivatives	X	X	8,008	8,008	1,829
5. Other assets	X	X	11,061	11,061	9,354
6. Financial liabilities	X	X	X	-	21
Total	52,727	258,431	19,069	330,227	264,186
of which: interest income on impaired financial assets	-	3,438	-	3,438	3,754
of which: interest income on finance lease	X	4,278	X	4,278	3,539

The values for the reporting period include the effect of the consolidation of the Dynamica Group as of 1 June 2024.

Interest on "Financial assets at amortised cost" is stated net of default interest on impaired assets accrued and not collected in the reference period, because they are only shown in the financial statements once they have been collected. Overall, interest of this kind accrued at the end of June amounted to Euro 1,913 thousand (Euro 3,213 thousand in June last year).

On the other hand, interest on arrears referring to previous years and collected in the year totalled Euro 382 thousand (Euro 754 thousand in June last year).

It is noted that the balance of item "3.2 Loans to customers" includes the release of the time value component of impaired financial assets for Euro 3,349 thousand (formerly Euro 3,052 thousand) and negative interest adjustments on non-performing loans for approximately Euro 1,061 thousand (formerly Euro 917 thousand).

Item "5. Other assets" includes interest for Euro 8,699 thousand related to Eco and Sismabonus tax credits recognised by the Bank following their assignment by customers, the remuneration for which is recognised in interest income over the recovery period of the credits.

Item "6. Financial liabilities" include interest income on repurchase agreements.

1.3 Interest and similar expense: breakdown

Items/technical forms	Payables	Securities	Other transactions	30.06.2024	30.06.2023
1. Financial liabilities measured at amortised cost	(109,061)	(26,641)	X	(135,702)	(93,624)
1.1 Payables to central banks	(18,609)	X	X	(18,609)	(42,045)
1.2 Payables to banks	(13,672)	X	X	(13,672)	(8,317)
1.3 Payables to customers	(76,780)	X	X	(76,780)	(34,412)
1.4 Securities outstanding	X	(26,641)	X	(26,641)	(8,850)
2. Financial liabilities held for trading	-	-	-	-	-
3. Financial liabilities designated at fair value	-	-	-	-	-
4. Other liabilities and provisions	X	X	(491)	(491)	(239)
5. Hedging derivatives	X	X	-	-	-
6. Financial assets	X	X	X	(222)	(170)
Total	(109,061)	(26,641)	(491)	(136,415)	(94,033)
of which: interest expense on lease payables	(607)	X	X	(607)	(555)

1.5 Differentials relating to hedging transactions

Items	30.06.2024	30.06.2023
A. Positive differentials relating to hedging transactions	17,606	10,470
B. Negative differentials relating to hedging transactions	9,598	(8,641)
C. Balance (A-B)	8,008	1,829

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.

Commissions - Items 40 and 50

2.1 Commission income: breakdown

Type of services/Values	30.06.2024	30.06.2023
a) Financial instruments	11,311	10,179
1. Placement of securities	2,416	1,888
1.1 On a firm and/or irrevocable commitment basis	-	-
1.2 Without irrevocable commitment	2,416	1,888
2. Receiving and sending orders and execution of orders on behalf of customers	3,354	3,033
2.1 Receiving and sending orders for one or more financial instruments	3,354	3,033
2.2 Execution of orders on behalf of customers	-	-
3. Other commissions related to activities linked to financial instruments	5,541	5,258
of which: trading on own account	-	-
of which: individual portfolio management	5,541	5,258
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	1,031	963
1. Custodian bank	-	-
2. Other commissions related to custody and administration activities	1,031	963
f) Central administrative services for collective portfolio management	-	-
g) Fiduciary business	-	-
h) Payment services	62,679	54,364
1. Current accounts	43,106	39,823
2. Credit cards	6,685	1,166
3. Debit cards and other payment cards	3,128	2,977
4. Bank transfers and other payment orders	6,462	6,221
5. Other fees related to payment services	3,298	4,177
i) Distribution of third-party services	33,029	29,602
1. Collective portfolio management	19,446	17,097
2. Insurance products	13,179	11,982
3. Other products	404	523
of which: individual portfolio management	165	165
j) Structured finance	-	-
k) Servicing activities for securitisation transactions	-	-
l) Commitments to disburse funds	-	-
m) Financial guarantees given	1,204	1,263
of which: credit derivatives	-	-
n) Financing transactions	2,189	2,010
of which: for factoring transactions	906	1,133
o) Currency trading	913	793
p) Goods	-	-
q) Other commission income	4,815	4,583
of which: for management of multilateral trading systems	-	-
of which: for management of organised trading systems	-	-
Total	117,171	103,757

2.2 Commission expenses: breakdown

Services/Values	30.06.2024	30.06.2023
a) Financial instruments	(190)	(220)
of which: trading of financial instruments	(190)	(220)
of which: placement of financial instruments	-	-
of which: individual portfolio management	-	-
- Own	-	-
- Delegated to third parties	-	-
b) Compensation and settlement	-	-
c) Collective portfolio management	-	-
1. Own	-	-
2. Delegated to third parties	-	-
d) Custody and administration	(725)	(706)
e) Collection and payment services	(1,136)	(1,035)
of which: credit cards, debit cards and other payment cards	(391)	(292)
f) Servicing activities for securitisation transactions	-	-
g) Commitments to receive funds	-	-
h) Financial guarantees received	(755)	(451)
of which: credit derivatives	-	-
i) Off-premises offer of financial instruments, products and services	(3,711)	(2,701)
j) Currency trading	(1)	-
m) Other commission expenses	(910)	(579)
Total	(7,428)	(5,692)

The increase in "commission income" is mainly attributable to the payment services category: in particular, reference is made to commissions for the provision of funds on current accounts amounting to 17,939 thousand (formerly 15,207 thousand at June 2023) and commissions for the recovery of expenses on current accounts amounting to 6,359 thousand (formerly 4,757 thousand at June 2023).

The item "other commission income" is mainly composed of: fees for the internet banking service for Euro 1,136 thousand (formerly Euro 1,028 thousand), recovery of expenses on the collection of mortgage instalments for Euro 881 thousand (formerly Euro 865 thousand), commissions for trading in customer securities for Euro 585 thousand (formerly Euro 482 thousand), fees for the safe deposit box rental service for Euro 388 thousand (value almost unchanged compared to the comparison period).

The item "other commission expenses" mainly includes commissions paid for introducing customers and providing financing to them in the amount of Euro 118 thousand (Euro 149 thousand last year), commissions for payment services and e-money services provided by third parties in the amount of Euro 314 thousand (formerly Euro 267 thousand).

Dividends and similar income - Item 70

3.1 Dividends and similar income: breakdown

Items/Income	30.06.2024		30.06.2023	
	Dividends	Similar income	Dividends	Similar income
0				
0				
A. Financial assets held for trading	120	-	101	-
B. Other financial assets mandatorily measured at fair value	-	-	-	-
C. Financial assets measured at fair value through other comprehensive income	469	-	453	-
D. Investments	-	-	-	-
Total	589	-	554	-

The table shows the amount of dividends on minority interests classified as "*Financial assets measured at fair value through other comprehensive income*" and dividends on equity securities classified as "Financial assets held for trading".

Net trading result - Item 80

4.1 Net trading result: breakdown

Transactions/Income components	Gains (A)	Trading gains (B)	Losses (C)	Trading losses (D)	Net result [(A+B)- (C+D)]
1. Financial assets held for trading	77	883	(1,027)	(1)	(68)
1.1 Debt securities	68	179	(58)	-	189
1.2 Equity securities	9	657	(966)	(1)	(301)
1.3 UCITS units	-	-	(3)	-	(3)
1.4 Loans	-	-	-	-	-
1.5 Other	-	47	-	-	47
2. Financial liabilities held for trading	-	-	-	-	-
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. Financial assets and liabilities: exchange rate differences	X	X	X	X	1,725
4. Derivative instruments	341	2,877	(182)	(2,452)	596
4.1 Financial derivatives:	341	2,877	(182)	(2,452)	596
- On debt securities and interest rates	330	1,953	(175)	(1,514)	594
- On equity securities and stock indices	11	924	(7)	(938)	(10)
- On currencies and gold	X	X	X	X	12
- Other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
of which: natural hedges related to the fair value option	X	X	X	X	-
Total	418	3,760	(1,235)	(2,453)	2,253

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

Item "3 Financial assets and liabilities: exchange rate differences" shows the positive (or negative) balance of changes in the value of financial assets and liabilities denominated in foreign currencies, other than those held for trading purposes.

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

Net hedging result - Item 90

5.1 Net hedging result: breakdown

Income components/Values	30.06.2024	30.06.2023
0		
A. Income related to:		
A.1 Fair value hedging derivatives	24,373	520
A.2 Hedged financial assets (fair value)	-	8,433
A.3 Hedged financial liabilities (fair value)	-	-
A.4 Cash flow hedging financial derivatives	-	-
A.5 Assets and liabilities in foreign currencies	-	-
Total hedging income (A)	24,373	8,953
B. Expenses related to:		
B.1 Fair value hedging derivatives	(76)	(7,316)
B.2 Hedged financial assets (fair value)	(24,319)	-
B.3 Hedged financial liabilities (fair value)	-	-
B.4 Cash flow hedging financial derivatives	-	-
B.5 Assets and liabilities in foreign currencies	-	-
Total hedging expenses (B)	(24,395)	(7,316)
C. Net hedging result (A - B)	(22)	1,637
of which: hedging result on net positions	-	-

The item mainly shows the net result deriving from the hedging of the interest rate risk of financial assets classified in the held to collect portfolio (fair value hedge type). The various sub-items show the income components arising from the valuation process of both the hedged assets and liabilities and the related hedging derivatives.

Gains (Losses) on sale/repurchase - Item 100

6.1 Gains (Losses) on sale/repurchase: breakdown

Items/Income components	30.06.2024			30.06.2023		
	Profits	Losses	Net result	Profits	Losses	Net result
0						
0						
Financial assets						
1. Financial assets measured at amortised cost	4,973	(611)	4,362	1,980	(4,181)	(2,201)
1.1 Loans with banks	42	-	42	179	-	179
1.2 Loans to customers	4,931	(611)	4,320	1,801	(4,181)	(2,380)
2. Financial assets measured at fair value through other comprehensive income	2,716	(336)	2,380	630	(144)	486
2.1 Debt securities	2,716	(336)	2,380	630	(144)	486
2.2 Loans	-	-	-	-	-	-
Total assets	7,689	(947)	6,742	2,610	(4,325)	(1,715)
Financial liabilities measured at amortised cost	-	-	-	-	-	-
1. Payables to banks	-	-	-	-	-	-
2. Payables to customers	-	-	-	-	-	-
3. Securities issued	61	-	61	277	-	277
Total liabilities	61	-	61	277	-	277

This item in the financial statements includes the economic result from the sale of financial assets not included among those held for trading and among those measured at fair value through profit or loss, as well as the result from the repurchase of own securities.

Item "1.2 Loans to customers" also includes the economic effects from the sale of non-performing loans.

Item "2. Financial assets measured at fair value through other comprehensive income" represents the economic effect of sales during the year, including the release of the related valuation reserves before the tax effect.

With reference to financial liabilities, under item "3. Securities issued" shows the result of gains/losses from the repurchase of own bonds.

Result of financial assets and liabilities measured at fair value through profit or loss - Item 110

7.2 Net change in value of other financial assets and liabilities measured at fair value through profit or loss: breakdown of other financial assets mandatorily measured at fair value

Transactions/Income components	Gains (A)	Realised gains (B)	Losses (C)	Realised losses (D)	Net result [(A+B) - (C+D)]
Transactions/Income components	Gains (A)	Realised gains (B)	Losses (C)	Realised losses (D)	
1. Financial assets	3,451	8	(9,393)	-	(5,934)
1.1 Debt securities	5	-	-	-	5
1.2 Equity securities	-	-	(290)	-	(290)
1.3 UCITS units	3,446	8	(9,103)	-	(5,649)
1.4 Loans	-	-	-	-	-
2. Financial assets: exchange rate differences	X	X	X	X	-
Total	3,451	8	(9,393)	-	(5,934)

This item consists of the result of financial instruments that are mandatorily measured at fair value through profit or loss, even if not held for trading, due to the failure to pass the SPPI (Solely payments of principal and interests) test required by the standard. This item consists mainly of UCITS that by their nature do not have characteristics compatible with passing the test.

Net value adjustments/reversals for credit risk - Item 130

8.1 Net value adjustments for credit risk related to financial assets measured at amortised cost: breakdown

Transactions/Income components	Value adjustments (1)						Reversals (2)				30.06.2024	30.06.2023
	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	-	-	-	-	-	-	747	-	-	-	747	(88)
- Loans	-	-	-	-	-	-	194	-	-	-	194	(94)
- Debt securities	-	-	-	-	-	-	553	-	-	-	553	6
B. Loans to customers	(609)	(123)	(742)	(34,095)	-	-	6,471	27	17,209	2	(11,860)	(20,490)
- Loans	(609)	(123)	(742)	(34,095)	-	-	6,223	27	17,209	2	(12,108)	(19,907)
- Debt securities	-	-	-	-	-	-	248	-	-	-	248	(583)
Total	(609)	(123)	(742)	(34,095)	-	-	7,218	27	17,209	2	(11,113)	(20,578)

This item includes value adjustments and reversals recorded for the credit risk of assets measured at amortised cost (portfolio loans with banks and to customers including debt securities).

With reference to "Value adjustments", the figure in the "Write-offs" column records losses on the definitive derecognition of loans classified as bad loans.

The "Value Adjustments - Third Stage", determined by the analytical assessment of the probability of recovery on non-performing loans and the discounting of cash flows, refer to:

- Bad loans of Euro 10,097 thousand (Euro 11,821 thousand in June 2023);
- Unlikely to pay of Euro 22,457 thousand (Euro 20,984 thousand in June 2023);
- Past-due exposures of Euro 1,545 thousand (Euro 1,132 thousand in June 2023).

"Reversals - First and Second Stages" are determined on the amount of the performing loan portfolio.

The "Reversals - Third Stage" refer to:

- bad loans amortised in previous years and with actual recoveries higher than expected for Euro 242 thousand (Euro 284 thousand in June 2023)
- collections of loans previously written-down for Euro 9,308 thousand (Euro 6,196 thousand in June 2023)
- valuation reversals for Euro 7,660 thousand (Euro 6,016 thousand in June 2023).

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

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

Transactions/Income components	Value adjustments (1)						Reversals (2)				30.06.2024	30.06.2023
	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)	-	-	-	-	-	140	-	-	-	46	(5)
B. Loans	-	-	-	-	-	-	-	-	-	-	-	-
- To customers	-	-	-	-	-	-	-	-	-	-	-	-
- With banks	-	-	-	-	-	-	-	-	-	-	-	-
Total	(94)	-	-	-	-	-	140	-	-	-	46	(5)

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

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.

Administrative expenses - Item 190

12.1 Personnel expenses: breakdown

Type of expenses/Values	30.06.2024	30.06.2023
1) Employees	(104,267)	(92,094)
a) wages and salaries	(69,180)	(62,125)
b) social security contributions	(18,485)	(16,634)
c) employee severance indemnity	-	-
d) social security expenses	-	-
e) provision for employee severance indemnity	(334)	(351)
f) allocations to the provision for severance benefits and similar obligations:	-	-
- defined contribution	-	-
- defined benefits	-	-
g) contributions to external supplementary pension funds:	(6,998)	(5,435)
- defined contribution	(6,998)	(5,435)
- defined benefits	-	-
h) costs deriving from payment agreements based on own equity instruments	-	-
i) other employee benefits	(9,273)	(7,549)
2) Other personnel in activity	(1,279)	(967)
3) Directors and Statutory Auditors	(1,710)	(1,528)
4) Retired personnel	-	-
Total	(107,259)	(94,589)

The values for the reporting period include the effect of the consolidation of the Dynamica Group as of 1 June 2024.

The change in the item is mainly attributable to the category "a) wages and salaries" due to the implementation of the changes introduced by the new national sector contract for both the regulatory part (e.g.: working hours) and the economic part, fixed by the renewal agreement of the national collective bargaining contract of 23 November 2023 at 1 September 2024, 1 June 2025 and 1 March 2026.

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.

12.4 Other employee benefits

	30.06.2024	30.06.2023
Appropriation for miscellaneous charges	(6,616)	(4,193)
Assistance fund contribution	(1,432)	(1,194)
Education and training expenses	(166)	(754)
Building fees for employee use	(43)	(41)
Exit incentives	1,000	10
Other	(2,016)	(1,377)
Total	(9,273)	(7,549)

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

Item "Exit incentives" includes the adjustment of allocations made in previous years with reference to staff exit incentives.

The main components of the item "Other" include charges related to the provision of personnel catering services (ticket restaurant) in the amount of Euro 1,454 thousand (formerly Euro 1,258 thousand) and those related to insurance premiums in the amount of Euro 126 thousand (formerly Euro 124 thousand).

12.5 Other administrative expenses: breakdown

	30.06.2024	30.06.2023
Indirect taxes and duties:		
-Stamp duties	(16,766)	(15,460)
-Other	(2,040)	(2,040)
Other expenses:		
-IT expenses	(13,612)	(12,501)
-Lease of buildings/assets	(1,072)	(1,178)
-Building, furniture and equipment maintenance	(4,862)	(4,448)
-Postal and telegraph	(603)	(794)
-Telephony and data transmission	(2,615)	(2,780)
-Electricity, heating, water	(2,271)	(3,617)
-Cleaning services	(1,217)	(1,203)
-Printers, stationery and consumables	(314)	(436)
-Transport costs	(766)	(708)
-Travel expenses	(710)	(1,909)
-Surveillance and security	(836)	(849)
-Advertising	(629)	(587)
-Information and records	(1,439)	(1,288)
-Insurance premiums	(797)	(732)
-Legal fees	(1,398)	(1,595)
-Professional consultancy fees	(4,375)	(5,766)
-Various contributions and donations	(151)	(130)
-Miscellaneous expenses	(14,804)	(10,961)
Total	(71,277)	(68,982)

The values for the reporting period include the effect of the consolidation of the Dynamica Group as of 1 June 2024.

The item "Lease of buildings/assets" includes charges for lease/rental contracts not included in the scope of IFRS 16 and, in particular, related to software.

The item "Travel expenses" includes expenses incurred and reimbursed to employees for travel expenses, list and mileage reimbursements in the amount of Euro 710 thousand (Euro 1,875 thousand in June 2023).

The item "Miscellaneous expenses" includes the ordinary and extraordinary contribution to the Deposit Guarantee Scheme (DGS) in the amount of Euro 10,832 thousand, the recognition of which was brought forward from previous years to reflect the different dynamics with which the 2024 contribution was requested (at 30 June 2023, Euro 6,798 thousand relating to the SRM resolution fund whose contribution ended in 2023), expenses for mortgage registration, membership contributions of Euro 722 thousand (Euro 527 thousand at June 2023), injunctions and assignment of receivables of Euro 111 thousand (Euro 196 thousand at June 2023), and subscriptions to newspapers and magazines of Euro 80 thousand (Euro 79 thousand at June 2023).

Net allocations to provisions for risks and charges – Item 200

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

	Allocations	Uses	30.06.2024	30.06.2023
Commitments for guarantees given	(345)	1,132	787	417
Charges for legal disputes	(1,884)	1,295	(589)	(3,707)
Other	(14,480)	631	(13,849)	29
Total	(16,709)	3,058	(13,651)	(3,261)

The values for the reporting period include the effect of the consolidation of the Dynamica Group as of 1 June 2024.

The item "Commitments for guarantees given" represents the net provision for risks determined by applying the expected loss calculation models defined in application of the accounting standard "IFRS9 Financial Instruments".

The item "Charges for legal disputes" includes allocations set up during the year to cover expected losses in connection with lawsuits and bankruptcy revocatory actions.

The item "Other" includes prudential provisions relating to the assessment of potential operational risks to which the bank is exposed, including the assessment of transparency risk for Euro 13.2 million, for which please refer to the disclosure in the Consolidated Report on Operations.

Net value adjustments/reversals on tangible assets - Item 210

14.1. Net value adjustments on tangible assets: breakdown

Assets/Income components	Depreciation (a)	Impairment (b)	Reversals (c)	Net result (a + b - c)
A. Tangible assets				
1 For functional use	(9,290)	-	-	(9,290)
- Owned	(3,794)	-	-	(3,794)
- Rights of use acquired through leases	(5,496)	-	-	(5,496)
A.2 Held for investment purposes	(30)	-	-	(30)
- Owned	(30)	-	-	(30)
- Rights of use acquired through leases	-	-	-	-
3 Inventories	X	-	-	-
Total	(9,320)	-	-	(9,320)

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

The item "Rights of use acquired through leases" includes the depreciation of assets consisting of the right of use that is the subject of the lease agreements (so-called "Right of Use Asset" or "RoU Asset") recognised in accordance with IFRS16 "Leases" and calculated as the sum of the lease liability, initial direct costs,

payments made on or before the effective date of the agreement (net of any lease incentives received) and decommissioning and/or restoration costs.

Net value adjustments/reversals on intangible assets - Item 220

15.1 Net value adjustments on intangible assets: breakdown

Assets/Income component	Amortisation	Impairment	Reversals	Net result
	(a)	(b)	(c)	(a + b - c)
A. Intangible assets				
of which: software	(258)	-	-	(258)
A.1 Owned	(2,160)	-	-	(2,160)
- Generated internally by the company	(7)	-	-	(7)
- Other	(2,153)	-	-	(2,153)
A.2 Rights of use acquired through leases	-	-	-	-
B. Assets held for sale	X	-	-	-
Total	(2,160)	-	-	(2,160)

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

Other operating income and expenses - Item 230

16.1 Other operating expenses: breakdown

	30.06.2024	30.06.2023
Amortisation for leasehold improvements	(611)	(637)
Losses on realisation of tangible assets	(2)	(10)
Charges on non-banking services	(688)	(1,391)
Total	(1,301)	(2,038)

The item "Charges on non-banking services" includes insurance deductibles for Euro 326 thousand and customer complaint transactions for Euro 39 thousand (formerly Euro 72 thousand).

16.2 Other operating income: breakdown

	30.06.2024	30.06.2023
Recovery of taxes from third parties	17,389	16,142
Recovery of charges on current accounts and deposits	897	1,078
Rent and fees receivable	50	27
Other expense recoveries	1,293	1,037
Profits on realisation of tangible assets	-	-
Other	2,222	54,104
Total	21,851	72,388

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 16,239 thousand (formerly Euro 14,999 thousand) and recoveries of substitute tax totalling Euro 984 thousand (formerly Euro 988 thousand).

The item "Recovery of expenses on current accounts and deposits" includes recoveries for fast processing fees of Euro 401 thousand (formerly Euro 452 thousand) and other recoveries for miscellaneous customer communications for Euro 315 thousand (formerly Euro 638 thousand).

The item "Other expense recoveries" includes, in particular, recoveries related to legal expenses on bad loans in the amount of Euro 254 thousand (formerly Euro 254 thousand), recoveries of mortgage claim appraisal expenses for Euro 268 thousand (formerly Euro 66 thousand), recovery of sundry expenses on lease files for Euro 217 thousand (formerly Euro 157 thousand).

The item "Other" mainly includes the provisional badwill of Euro 1.4 million resulting from the purchase price allocation (PPA) process relating to the acquisition of the Dynamica Retail financial group, as illustrated in the subsequent disclosure "Business combinations involving companies or business units". In the comparison period, it mainly included the provisional badwill of Euro 53.3 million resulting from the PPA process relating to the acquisition of 48 bank branches from BPER Banca S.p.A. (formerly Banca Carige S.p.A.) and Banco di Sardegna S.p.A.

Gains (losses) on investments - Item 250

17.1 Gains (losses) on investments: breakdown

Income component/Values	30.06.2024	30.06.2023
1) Joint ventures		
A. Income	-	-
1. Revaluations	-	-
2. Gains on sale	-	-
3. Reversals	-	-
4. Other income	-	-
B. Expenses	-	-
1. Write-downs	-	-
2. Impairment	-	-
3. Losses on sale	-	-
4. Other expenses	-	-
Net Result	-	-
2) Companies under significant influence	-	-
A. Income	138	-
1. Revaluations	138	-
2. Gains on sale	-	-
3. Reversals	-	-
4. Other income	-	-
B. Expenses	-	(22)
1. Write-downs	-	(22)
2. Impairment	-	-
3. Losses on sale	-	-
4. Other expenses	-	-
Net Result	138	(22)
Total	138	(22)

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

Income taxes for the year on current operations - Item 300

21.1 Income taxes for the year on current operations: breakdown

Income components/Sectors	30.06.2024	30.06.2023
1. Current taxes (-)	(23,887)	(23,916)
2. Changes in current taxes of previous years (+/-)	-	-
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 (+/-)	(14,612)	(18,603)
5. Change in deferred tax liabilities (+/-)	218	(5)
6. Taxes for the year (-) (-1+/-2+3+3bis+/-4+/-5)	(38,281)	(42,524)

Profit/Loss from discontinued operations after taxes - Item 320
22.1 Profit (loss) from discontinued operations after taxes: breakdown

Income components/Sectors	30.06.2024	30.06.2023
1. Income	-	101,805
2. Expenses	-	(1,536)
3. Result of valuations of groups of assets and related liabilities	-	-
4. Realised gains (losses)	3,000	-
5. Taxes and duties	(41)	(1,844)
Profit (loss)	2,959	98,425

The balance of the item at 30 June 2024 relates to the adjustment of Euro 3 million collected by Banco Desio in the first half of the year, as a price adjustment defined on the basis of targets measured one year from the date of closing, as provided for in the agreements with Worldline (with reference to the "Aquarius" transaction carried out in the previous year). The balance of the comparison period refers to the income and expenses related to the transferred business unit with reference to the same transaction.

22.2 Details of income taxes on discontinued operations

Income components/Sectors	30.06.2024	30.06.2023
1. Current taxation (-)	(41)	(1,844)
2. Changes in deferred tax assets (+/-)	-	-
3. Changes in deferred tax liabilities (+/-)	-	-
Profit (loss)	(41)	(1,844)

Earnings per share

	30.06.2024		30.06.2023	
	Ordinary shares	Savings shares	Ordinary shares	Savings shares
Group net profit attributable to the different share classes (Euro thousand)	78,088	-	193,345	-
Average number of shares outstanding	134,363,049	-	134,363,049	-
Average number of potentially dilutive shares	-	-	-	-
Average number of diluted shares	134,363,049	-	134,363,049	-
Earnings per share (Euro)	0.58	-	1.44	-
Diluted earnings per share (Euro)	0.58	-	1.44	-

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	52,587	137,946	14,033	92,968	14,741,076	15,038,610
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	939,739	939,739
3. Financial assets designated at fair value	-	-	-	-	-	-
4. Other financial assets mandatorily measured at fair value	-	-	-	-	39	39
5. Financial assets held for sale	4,758	9,779	-	-	-	14,537
Total 30.06.2024	57,345	147,725	14,033	92,968	15,680,854	15,992,925
Total 31.12.2023	47,890	139,722	12,701	63,127	15,446,997	15,710,437

A.1.2 Breakdown of credit exposures by portfolio and credit quality (gross and net amounts)

Portfolios/quality	Impaired				Non-impaired			Total (net exposure)
	Gross exposure	Total value adjustments	Net exposure	Total partial write-offs*	Gross exposure	Total value adjustments	Net exposure	
1. Financial assets measured at amortised cost	394,182	(189,616)	204,566	18,608	14,951,178	(117,134)	14,834,044	15,038,610
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	940,026	(287)	939,739	939,739
3. Financial assets designated at fair value	-	-	-	-	X	X	-	-
4. Other financial assets mandatorily measured at fair value	-	-	-	-	X	X	39	39
5. Financial assets held for sale	25,665	(11,128)	14,537	-	-	-	-	14,537
Total 30.06.2024	419,847	(200,744)	219,103	18,608	15,891,204	(117,421)	15,773,822	15,992,925
Total 31.12.2023	386,594	(186,281)	200,313	18,708	15,633,578	(123,456)	15,510,122	15,710,435

Portfolios/quality	Assets with evident poor credit quality		Other assets
	Accumulated losses	Net exposure	Net exposure
1. Financial assets held for trading	-	-	8,422
2. Hedging derivatives	-	-	34,904
Total 30.06.2023	-	-	43,326
Total 31.12.2022	-	-	24,945

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 subsidiaries, active in the provision of loans to private customers in the technical forms of salary-backed, advances on severance pay and personal loans, also make 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 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 Group has established a system of operational limits and specific Key Risk Indicators (KRI). In the context of monitoring and control, when thresholds are exceeded, the Risk Management function activates internal procedures to intervene in order to maintain a level of risk appetite consistent with what is defined in the RAF and risk management policies.

For risk management purposes, the Group uses an internal rating system capable of classifying each counterparty into risk classes with homogeneous probability of default. The classification of performing counterparties subject to valuation is on a scale of 1 to 10. Non-performing loans (exposures past-due and/or overdrawn, unlikely to pay and bad loans) are excluded from the rating assignment.

For the purpose of calculating the capital requirement for credit risk, the bank follows the regulatory rules for the Standardised Approach, using ratings provided by authorised external ECAI for certain counterparties.

2.3 Methods for measuring expected losses

The general approach defined by IFRS 9 Financial Instruments to estimate impairment is based on a process designed to provide evidence of deterioration in the credit quality of a financial instrument at the reporting date compared to the date of initial recognition. The regulatory guidance on the allocation of receivables to the various "stages" provided by the Standard ("staging" or "stage allocation") requires, in fact, that significant changes in credit risk be identified with reference to the change in creditworthiness from the initial recognition of the counterparty, the expected life of the financial asset, and other forward-looking information that may affect credit risk.

Consistent with IFRS 9, performing loans are therefore divided into two different categories:

- Stage 1: assets with no significant credit risk deterioration are classified in this bucket. For this Stage, the calculation of the expected one-year loss on a collective basis is envisaged;

- Stage 2: in this bucket are classified assets with a significant deterioration in credit quality between the reporting date and initial recognition. For this bucket, the expected loss must be calculated from a lifetime perspective, i.e. over the entire life of the instrument, on a collective basis.

In particular, 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 persistence of international war conflicts, the process of stabilisation of interest rates and inflation still underway, the increase in the cost of living and the resulting social implications, in the assessments relating to the calculation of the expected loss on performing loans, the Bank has taken into account the indications contained in the documents published by various international institutions (ESMA, EBA, ECB-SSM, IFRS Foundation), aiming to achieve a balance between the need to avoid excessively pro-cyclical assumptions in the models used to estimate expected losses on loans and the need to ensure that the risks to which the Group is (or will be) exposed are adequately reflected in the accounting and prudential assessments.

Taking into account the elements of macroeconomic change still present in the current market context, the Group has prudentially considered not updating the macroeconomic forecasts used to estimate expected losses with respect to those considered in preparing the 2023 financial statements.

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 _t	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 _t	represents the counterparty exposure at each cash flow date
LGD _t	represents the associated loss per counterparty at each cash flow date. This is the percentage of loss in the event of default, based on the historical experience observed over a given observation period, as well as the prospective evolution over the entire duration of the exposure (lifetime);
r	represents the discount rate
t	represents the number of cash flows
T	represents the total number of cash flows, limited to the next 12 months for stage 1 relationships, and referred to the entire remaining life for stage 2 relationships

The models used to estimate these parameters are derived from the corresponding parameters developed under the most recent regulatory guidelines, making specific adjustments to take into account the different requirements and purposes of the IFRS 9 impairment model compared to the regulatory model.

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

- removal of elements provided for regulatory purposes only, such as the down-turn component considered in the regulatory LGD calculation to account for the adverse business cycle, the margins of conservatism provided for PD, LGD and EAD, and the add-on of indirect costs with the aim of avoiding a double-counting effect on the income statement;
- inclusion of current business cycle conditions (Point-in-Time risk measures) in place of a Through The Cycle (TTC) measurement required for regulatory purposes;
- introduction of forward-looking information concerning the future dynamics of macroeconomic factors (forward looking risk) considered potentially capable of influencing the debtor's situation;
- extension of the risk parameters to a multi-year perspective, taking into account the duration of the credit exposure to be assessed (lifetime).

The following provides more detailed information on how the Group determined the aforementioned IFRS 9 compliant risk parameters, with particular reference to how forward-looking factors were included.

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

Estimating the PD parameter

The PD parameters were appropriately calibrated, using satellite models, to reflect default rates under current (PiT) and forward-looking conditions. These parameters must be estimated not only with reference to the twelve-month horizon following the reporting date, but also in future years, in order to allow for the calculation of lifetime provisions.

For the Group, lifetime PD curves were created by multiplying 12-month rating migration matrices by segments and conditional on prospective macroeconomic scenarios, using a Markovian approach. Each rating class assigned to counterparties by internal models is associated with the corresponding lifetime PD curve. Below are the main methodological steps used to estimate the PD lifetime parameter:

- creating historical Point in Time (PiT) migration matrices for each risk segment defined by the rating models and, based on the average of these matrices, obtaining 3-year migration matrices for each risk segment. It should be noted that in order to reduce the default rate bias resulting from support policies, the migration matrix of 2020 has been deducted of the counterparties benefiting from moratoria;
- determination of future PiT migration matrices for the first three years following the reporting date, obtained on the basis of PiT migration matrices conditioned by selected macroeconomic scenarios, using satellite models (Merton method) capable of expressing the sensitivity of PD measures to changes in key economic quantities. These satellite models are differentiated by Business and Private segments and use segment-specific variables;
- obtaining the cumulative PD per rating class and scenario by means of a matrix product (Markov chain techniques) of the future PiT migration matrices for the first three years, as calculated above, while from the fourth year onwards, use is made of the 1-yr TTC matrix assumed constant in each period t , obtained by deconditioning the individual annual migration matrices observed over the last five years using the Merton-Vasicek method;
- generation of the cumulative lifetime PD curve as the average of the cumulative PD curves of each selected macroeconomic scenario weighted by their respective probabilities of occurrence.

Please refer to the following section "Inclusion of forward-looking factors" for further details on how the PD parameter was created.

Estimating the LGD parameter

LGD values are assumed to be equal to the recovery rates calculated over the business cycle (TTC), appropriately adjusted to remove certain elements of conservatism represented by indirect costs and the adverse business cycle component (the so-called "down turn" component in addition to the previously mentioned margins of conservatism).

Estimating the EAD

For cash exposures, the EAD parameter is, at each future payment date, the outstanding debt based on the amortisation schedule plus any unpaid and/or past-due instalments.

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

Inclusion of forward-looking factors

For the purpose of determining expected losses, the inclusion of forward-looking information is obtained by considering the effects on risk parameters resulting from different macroeconomic scenarios. In detail, the multiple possible alternative macroeconomic scenarios were reduced to a limited number of three scenarios (positive, basic and negative), which constitute the input of the so-called "satellite models". The use of the latter models makes it possible to define, by means of statistical regression techniques, the relationship between a limited number of significant macroeconomic variables, taken as a reference, and the decay rates of the various segments. The result of these estimates is used to create stress factors, known as "delta scores", broken down by scenario and risk segments. These "delta scores" are applied using the Merton method to the average Point in Time (PIT) matrix per risk segment, represented by the most recent three years of available internal rating migration data, in order to obtain three future matrices stressed on the basis of macroeconomic forecasts. From the fourth year onwards, reference was made to the long-term matrix to calculate the PD curves.

Next, the creation of the PD curves for each of the 3 scenarios is done by applying the Markov chain statistical procedure (product of the annual matrices described above). The cumulative PIT and lifetime PD curves are finally generated as the average of the cumulative PD curves of each selected macroeconomic scenario weighted by their respective probabilities of occurrence.

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.

In addition, in order to include separate prospective risk assessments by business segment and geographic area, "satellite models" are separated 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 is 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).

With reference to the minimum and maximum values ("range of values") considered in the models, please refer to "Part E. Information on risks and related hedging policies" of the consolidated financial statements at 31 December 2023.

Post-model adjustments

Consistent with the careful approach applied in the performance monitoring of exposures and the approach already adopted in previous years, post-model adjustments (so-called management overlays) were maintained for the allocation of stage 2 exposures and for the determination of expected losses on specific clusters.

In particular, for the purposes of the allocation of stage 2 exposures and the determination of expected losses on specific clusters, the focus was on:

- 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 instalment 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", 35 "Production and Supply of Electricity, Gas" and 70-73-77-78-80-81-82 "Business services" moved from low to medium attractiveness, thus assimilating them to low attractiveness sectors (list that remained unchanged compared to 31 December 2023).

Code	Sector	Grouping
1	Agriculture	LOW
2	Agriculture	LOW
3	Agriculture	LOW
13	Textiles and Clothing	LOW
14	Textiles and Clothing	LOW
15	Textiles and Clothing	LOW
24	Metallurgy	LOW
25	Metallurgy	LOW
29	Automotive	LOW
35	Production and Supply of Electricity, Gas	LOW
41	Construction	LOW
42	Construction	LOW
43	Construction	LOW
45	Automotive	LOW
47	Retail Trade	LOW
55	Accommodation and Catering	LOW
56	Accommodation and Catering	LOW
68	Real estate	LOW
70	Business Services	LOW
73	Business Services	LOW
77	Business Services	LOW
78	Business Services	LOW
79	Recreational, Sporting Activities and Travel Agencies	LOW
80	Business Services	LOW
81	Business Services	LOW
82	Business Services	LOW
90	Recreational, Sporting Activities and Travel Agencies	LOW
91	Recreational, Sporting Activities and Travel Agencies	LOW
92	Recreational, Sporting Activities and Travel Agencies	LOW
93	Recreational, Sporting Activities and Travel Agencies	LOW

Within the stage 2 positions, specific higher-risk clusters were identified for corporate loans to which increasing minimum coverage was applied.

For the definition of the minimum coverage levels to be applied on the various clusters identified, in a range between 4.9% 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 1.6 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 first half of the year, proactive monitoring of exposures continued, favouring the return and recovery of unlikely to pay (UTP) exposures, and also

evaluating hypotheses of disposal to third parties to be formalised possibly in the second half of the year, for exposures where the intervention of investors could be an improvement over the bank's ordinary risk containment actions. With regard to bad loans, credit recovery action was taken favouring outright solutions, where convenient, and also proceeding with the assignment of a perimeter of mainly unsecured loans.

In execution of its capital management strategy, the Bank completed a programme of NPL disposals, particularly significant in recent years, with reference to both loans classified as bad loans and loans classified as UTP. The additional divestment transactions finalised in the first six months confirmed a level of the NPL Ratio (gross non-performing loans/gross loans ratio) to 3.3%, confirming a level in line with the best in the Italian banking scene.

The action of containing the stock of UTP is achieved through two actions:

1. prevention of incoming flows to UTP;
2. effective management of the impaired portfolio aimed at maintaining good recovery and/or return to performing status, together with a policy of targeted disposals aimed at optimising their countervalue.

Since corporate counterparties represent a significant share, in terms of volume, the focus is more on reducing transfers to UTP for this type of loan.

The operating methods and tools in use at Banco Desio, through which positions presenting credit anomalies and critical factors are identified and managed, are regulated and formalised in internal documentation. In particular, the monitoring activity is strongly focused on the trend analysis of individual risk positions intercepted on the basis of periodic and punctual checks, on the basis of systematic reports produced by the internal IT procedure (Credit Quality Manager) and detected by the Monitoring Dashboard. The latter tool, in addition to periodically photographing and monitoring the trend in anomalies, provides, for the purposes of control and possible intervention, an evaluation of individual branches, attributing to each one a ranking, calculated on the basis of risk indicators.

This reporting tool, also used to support the Parent Company's Top Management and Network, makes it possible to interpret, process and historicise data from various certified sources, in order to detect the credit quality of the Parent Company itself, the Territorial Areas, and the Branches.

3.2 Write-offs

Impaired exposures for which there is no possibility of recovery (either total or partial) are subject to write-off in accordance with the policies in force at the time, approved by the Group's Board of Directors. Among the strategies identified for the containment of non-performing loans, a management approach based on "single name" disposals was also envisaged for unlikely to pay, with particular reference to loans managed with a view to liquidation or total return (gone concern).

With reference to the indicators used to assess recovery expectations, the Group has adopted specific policies for the analytical assessment of non-performing loans that envisage specific adjustment percentages, distinguishing the presence and type of underlying guarantees (real or personal), the submission of customers to a specific procedure (blank agreements; liquidation agreements; continuing agreements; over-indebtedness crisis; pursuant to Articles 67 and 182 of the Bankruptcy Law).

3.3 Purchased or originated impaired financial assets

As indicated by the accounting standard "IFRS 9 - Financial Instruments", in some cases, a financial asset is considered impaired upon initial recognition because the credit risk is very high and, in the case of purchase, it is acquired at a significant discount (compared to the initial disbursement value). In the event that the financial assets in question, based on the application of the classification drivers (i.e. SPPI test and

Business model), are classified as assets measured at amortised cost or at fair value through other comprehensive income, they are classified as 'Purchased or Originated Credit Impaired Assets' (in short, 'POCI') and are subject to special treatment. Specifically, value adjustments equal to the lifetime Expected Credit Loss (ECL) are recognised against them from the date of initial recognition and throughout their life. In light of the foregoing, POCI financial assets are initially recognised as impaired assets, subject to the possibility of being subsequently moved to performing loans, in which case an expected loss equal to the lifetime ECL will continue to be recognised. A "POCI" financial asset is therefore qualified as such in the signalling and expected loss calculation (ECL) processes.

This item includes the POCI arising from the acquisition of the bank branches business unit realised by the Parent Company in February 2023 with the BPER Group. The initial recognition value of POCI reflects the lower fair value attributed 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 forborne exposures.

Quantitative information

Credit Quality

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

Type of exposures/values	Gross exposure					Total value adjustments and allocations				Net exposure	Total partial write-offs*
	First stage	Second stage	Third stage	Purchased or originated impaired		First stage	Second stage	Third stage	Purchased or originated impaired		
A. ON-BALANCE SHEET CREDIT EXPOSURES											
A.1 ON DEMAND	1,106,963	1,106,963				25	25			1,106,938	-
a) Impaired	-	X	-	-	-	-	X	-	-	-	-
b) Non-impaired	1,106,963	1,106,963				25	25			1,106,938	-
A.2 OTHER	948,429	945,332	-	-	-	761	761	-	-	947,668	-
a) Bad loans	-	X	-	-	-	-	X	-	-	-	-
- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-
b) Unlikely to pay	-	X	-	-	-	-	X	-	-	-	-
- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-
c) Impaired past-due exposures	-	X	-	-	-	-	X	-	-	-	-
- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-
d) Non-impaired past-due exposures	-	-	-	X	-	-	-	-	X	-	-
- of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-
e) Other non-impaired exposures	948,429	945,332	-	X	-	761	761	-	X	947,668	-
- of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-
TOTAL (A)	2,055,392	2,052,295	-	-	-	786	786	-	-	2,054,606	-
B. OFF-BALANCE SHEET CREDIT EXPOSURES											
a) Impaired	-	X	-	-	-	-	X	-	-	-	-
b) Non-impaired	494,249	14,346	-	-	-	1	1	-	-	494,248	-
TOTAL (B)	494,249	14,346	-	-	-	1	1	-	-	494,248	-
TOTAL (A+B)	2,549,641	2,066,641	-	-	-	787	787	-	-	2,548,854	-

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	Purchase d or originate d impaired		First stage	Secon d stage	Third stage	Purcha sed or origina ted impair ed			
A. ON-BALANCE SHEET CREDIT EXPOSURES												
a) Bad loans	180,916	X	-	177,215	3,701	123,571	X	-	122,005	1,566	57,345	18,608
- of which: forborne exposures	17,061	X	-	16,452	609	10,489	X	-	10,253	236	6,572	156
b) Unlikely to pay	222,464	X	-	214,272	8,192	74,739	X	-	72,775	1,964	147,725	-
- of which: forborne exposures	71,405	X	-	66,897	4,508	24,520	X	-	23,574	946	46,885	-
c) Impaired past-due exposures	16,467	X	-	16,466	1	2,434	X	-	2,434	-	14,033	-
- of which: forborne exposures	380	X	-	380	0	75	X	-	75	-	305	-
d) Non-impaired past-due exposures	95,691	42,157	53,534	X	0	2,723	146	2,577	X	-	92,968	-
- of which: forborne exposures	2,381	0	2381	X	0	279	0	279	X	-	2,102	-
e) Other non-impaired exposures	14,858,920	12,866,218	1,985,161	X	3,543	113,527	23,117	90,284	X	126	14,745,393	-
- of which: forborne exposures	66,917	0	66,345	X	572	6,749	0	6,711	X	38	60,168	-
TOTAL (A)	15,374,458	12,908,375	2,038,695	407,953	15,437	316,994	23,263	92,861	197,214	3,656	15,057,464	18,608
B. OFF-BALANCE SHEET CREDIT EXPOSURES												
a) Impaired	23,349	X	-	23,349	-	1,893	X	-	1,893	-	21,456	-
b) Non-impaired	4,701,776	3,566,956	132,695	X	-	1,412	557	855	X	-	4,700,364	-
TOTAL (B)	4,725,125	3,566,956	132,695	23,349	-	3,305	557	855	1,893	-	4,721,820	-
TOTAL (A+B)	20,099,583	16,475,331	2,171,390	431,302	15,437	320,299	23,820	93,716	199,107	3,656	19,779,284	18,608

A.2 Classification of exposures based on external and internal ratings

A.2.1 Prudential consolidation - Breakdown of financial assets, commitments to disburse funds and financial guarantees given: by external rating classes (gross amounts)

Exposures	External rating classes						Unrated	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. Financial assets measured at amortised cost	59,019	434,153	3,504,441	696,950	89,546	45,440	10,515,810	15,345,359
- First stage	48,397	417,273	3,409,688	577,226	58,522	9,150	8,400,462	12,920,718
- Second stage	10,622	16,880	94,499	114,169	29,346	36,290	1,727,891	2,029,697
- Third stage	-	-	29	5,555	1,678	-	373,189	380,451
- Purchased or originated impaired	-	-	225	-	-	-	14,268	14,493
B. Financial assets measured at fair value through other comprehensive income	4,713	-	779,360	16,722	-	-	139,894	940,689
- First stage	4,713	-	779,360	16,722	-	-	139,894	940,689
- Second stage	-	-	-	-	-	-	-	-
- Third stage	-	-	-	-	-	-	-	-
- Purchased or originated impaired	-	-	-	-	-	-	-	-
C. Financial assets held for sale	-	-	-	-	-	-	25,665	25,665
- First stage	-	-	-	-	-	-	-	-
- Second stage	-	-	-	-	-	-	-	-
- Third stage	-	-	-	-	-	-	24,720	24,720
- Purchased or originated impaired	-	-	-	-	-	-	946	946
Total (A+B+C)	63,732	434,153	4,283,801	713,672	89,546	45,440	10,681,369	16,311,713
D. Commitments to disburse funds and financial guarantees given	73,839	294,515	332,219	152,269	22,843	12,611	2,856,176	3,744,472
- First stage	70,182	284,314	314,814	147,891	21,349	12,611	2,737,183	3,588,344
- Second stage	3,657	10,201	17,405	4,026	1,494	-	95,912	132,695
- Third stage	-	-	-	352	-	-	23,081	23,433
- Purchased or originated impaired	-	-	-	-	-	-	-	-
Total (D)	73,839	294,515	332,219	152,269	22,843	12,611	2,856,176	3,744,472
Total (A+B+C+D)	137,571	728,668	4,616,020	865,941	112,389	58,051	13,537,545	20,056,185

The assignment of external ratings refers to positions in the Group's own securities portfolio and to financing positions for which the Cerved External Credit Assessment Institution (ECAI) has assigned a credit risk rating.

Below is a reconciliation table between the rating classes indicated in Table A.2.1 and those provided by the ECAI Moody's and Mode Finance, the agencies to which the Group refers to determine its external ratings.

Creditworthiness classes	Moody's Rating	Mode Finance
1	from Aaa to Aa3	from EA1 to EA2-
2	from A1 to A3	from EA3+ to EA3-
3	from Baa1 to Baa3	from EB1+ to EB1-
4	from Ba1 to Ba3	from EB2+ to EB2-
5	from B1 to B3	from EB3+ to EB3-
6	Caa1 and below	EC1+ and below

A.2.2 Prudential consolidation - Breakdown of financial assets, commitments to disburse funds and financial guarantees given by internal rating classes (gross amounts)

The Group does not use internal rating models to determine capital requirements.

The Group uses, for management purposes, a rating model geared towards the assessment of Private Consumer and Business customers (Retail, Corporate and Financial and Institutional companies).

The following table shows the weight of each rating class in relation to total exposures for performing exposures belonging to the aforementioned exposure segments.

Exposures	Internal rating classes				
	1 to 4	5 to 6	7 to 10	Financial and Institutional	Total
On-balance sheet exposures	64.21%	28.97%	4.79%	2.03%	100%
Off-balance sheet exposures	81.09%	13.47%	3.12%	2.32%	100%

Large exposures

With reference to the supervisory regulations in force, the situation at 30 June 2024 was as follows

Description	Nominal Amount	Weighted Amount	Number of positions
Large exposures	8,300,142	409,234	7

The positions recorded refer to:

- exposures to the Italian State for advance/deferred taxation and government bonds;
- guarantees provided by the Guarantee Fund Law No. 662 of 23.12.1996;
- participation in the capital of the Bank of Italy;
- repurchase agreements with Cassa di Compensazione e Garanzia;
- exposures with Crédit Agricole for liquidity deposited as part of the covered bond transaction, for debt securities and long term repo spread;
- guarantees provided by SACE;
- exposures to Intesa Sanpaolo related to debt securities, derivatives, long term repo spread, assignment of salary-backed loans and guarantees and commitments given.

1.2 MARKET RISKS

1.2.1 INTEREST RATE RISK AND PRICE RISK - SUPERVISORY TRADING BOOK

Qualitative information

A. General Aspects

Unexpected changes in market rates, in the presence of differences in the maturity and timing of interest rates on assets and liabilities, lead to a change in the net interest flow and thus in the net interest income. Moreover, such unexpected fluctuations expose the Group to changes in the economic value of assets and liabilities.

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

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

B. Interest rate risk and price risk management processes and measurement methods

In exercising its powers of management and coordination, the Parent Company's Board of Directors issued specific provisions on controls.

The trading activities of the Parent Company's Finance Area are subject to operating limits as set out in the "Risk Policy" and in the texts of internal regulations; in order to contain market risk, specific limits are set on consistency, sensitivity (duration), profitability (stop loss) and Value at Risk (VaR). A specific reporting system is the tool to provide the organisational units involved with adequate information.

The monitoring of indicators and operating limits is carried out, as a first-level control, on an ongoing basis by the Finance Area, while the Risk Management Department performs second-level monitoring, activating any escalation procedures in the event of overruns in accordance with internal regulations.

For the quantification of generic and specific risks, the Group has adopted a model based on the concept of Value at Risk (VaR) in order to express in summary form and in monetary terms the maximum probable loss of a static portfolio with reference to a specific time horizon and a specific confidence level under normal market conditions. This methodology has the advantage of allowing the aggregation of positions taken relating to risk factors of a heterogeneous nature; it also provides a summary number that, being a monetary expression, is easily used by the organisational structure concerned. The VaR model uses the Monte Carlo simulation technique where, given the appropriate assumptions and correlations, it estimates, by calculating a series of possible revaluations, the value of the portfolio and, given the vector of expected portfolio returns, determines the desired percentile of the distribution. The model uses a 95% confidence interval with a time period of 1 day. The application used to calculate VaR is the Bloomberg infoprovider.

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

Quantitative information

Supervisory trading book: internal models and other methodologies for sensitivity analysis

The monitoring carried out up to the third quarter on the supervisory trading book shows a structure with low market risks. The Monte Carlo simulation VaR at 30.06.2024 amounted to Euro 86 thousand, representing 0.61% 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 Department. The activity is carried out for the Parent Company, which covers almost the entire banking book. All of the Group's commercial activity related to the transformation of maturities of assets and liabilities in the financial statements, the securities portfolio, treasury operations and the respective hedging derivatives are monitored using Asset and Liability Management (A.L.M.) methodologies through the ERMAS5 application.

The static analysis, currently in place, makes it possible to measure the impacts produced by changes in the interest rate structure expressed in terms of both the change in the economic value of assets and the net interest income. The results of the banking book for financial statements purposes are presented here, excluding from the analysis financial instruments in the supervisory trading book.

The variability of the net interest income, determined by positive and negative changes in rates over a 365-day time horizon, is estimated using the Gap Analysis. Changes in the economic value of assets and liabilities are analysed by applying sensitivity analysis approaches.

Analyses are also performed by considering non-parallel shifts in the yield curve and the application of behavioural models of demand deposits. In the simulation analysis, it is possible to predict specific scenarios of changes in market rates.

The global economic and political context has been under severe stress over the past two years, ultimately caused by the recent war events.

As mentioned above, the European Central Bank, in order to respond to a series of exogenous shocks, implemented a restrictive monetary policy by raising interest rates in 2022 and 2023; in 2024, rates remained essentially unchanged, with a single reduction of 25 basis points decided at the meeting of 6 June.

In this context of variable rates, Banco Desio has put in place a strategy to hedge its assets, through the subscription of hedging derivative financial instruments.

In November 2023, 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

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 distribution of items of the financial statements in terms of maturity date and repricing shows some peculiarities deriving from the current macroeconomic context, i.e. a physiological re-dimensioning of the lending and funding profile.

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 sight items, to which the coefficients provided for by Circular 285 are applied.

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 2023, the Bank joined the Clearing service for OTC interest rate derivatives by identifying the central counterparty (Eurex Clearing) for clearing derivative transactions.

1.2.3. EXCHANGE RATE RISK

Qualitative information

A. General aspects, management processes and measurement methods for exchange rate risk

The Group is exposed to exchange rate risk as a result of its trading activities on foreign exchange markets and its investment and fund-raising activities with instruments denominated in a currency other than the domestic currency.

Exposure to exchange rate risk is marginal; exchange rate trading is managed by the Finance Area of the Parent Company.

Exchange rate risk is managed through operational limits both by currency area and by concentration on each individual currency. In addition, daily and annual operational stop/loss limits are set.

B. Exchange rate risk hedging activities

The Group's primary objective is to prudently manage exchange rate risk, always taking into account the possibility of seizing market opportunities. Therefore, transactions involving exchange rate risk are managed through appropriate hedging strategies.

Quantitative information

2. Internal models and other sensitivity analysis methods

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

1.3.2 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 cash flow hedging; the objective is to stabilise the cash flows of the hedged instrument with the flows of the hedging instrument.

D. Hedging instruments

Derivatives are used as hedging instruments, represented by interest rate swaps used to hedge interest rate risk only.

E. Hedged items

To date, the hedged instruments relate to the following categories:

- liabilities (bonds issued) through specific micro-hedges
- fixed-rate loans (bonds) through specific micro-hedges
- fixed-rate loans (financing) through macro-hedges

Derivatives are used as hedging instruments, represented by interest rate swaps used to hedge interest rate risk only.

The Bank has set up a model capable of managing hedge accounting in line with the reference regulations dictated by international accounting standards. The methodology used to perform the effectiveness tests is the Dollar Offset Method (hedge ratio) on a cumulative basis.

1.4. LIQUIDITY RISK

Qualitative information

A. General aspects, management processes and measurement methods for liquidity risk

Liquidity risk is managed through the Finance Area with the aim of verifying the Group's ability to meet its liquidity needs by avoiding situations of excessive and/or insufficient availability, with the consequent need to invest and/or raise funds at unfavourable rates compared to market rates.

Periodic monitoring and reporting on liquidity risk is the responsibility of the Risk Management function in accordance with the risk tolerance threshold determined in the Liquidity Risk Management Policy. Treasury activities consist of the procurement and allocation of available liquidity through the interbank market, open market operations, repurchase agreements and derivatives.

The objective of operational liquidity management is to ensure the Group's ability to meet expected or unforeseen cash payment commitments in a "going concern" context over a short-term time horizon not exceeding 3 months. The scope of the daily operating liquidity report refers to items with a high level of volatility and a strong impact on the monetary base. The monitoring and control of compliance with operational limits is carried out through the acquisition of information from collection and payment transactions, the management of accounts for services and the trading of financial instruments in proprietary portfolios.

The calculation of counterbalancing capacity makes it possible to supplement the report with all free assets that can be readily used either to be eligible for refinancing with the ECB or to be demobilised. In addition to the application of the haircuts determined by the ECB for eligible securities and A.Ba.Co. financing, appropriate discount factors (broken down by security type, rating, currency) are also prepared for all securities that are not eligible but are nevertheless considered negotiable, appropriately positioned in time intervals.

Further support for liquidity risk management comes from the monitoring of structural liquidity with the primary objective of maintaining an adequate dynamic relationship between medium- to long-term liabilities and assets.

Operations are measured with Asset and Liability Management (A.L.M.) methodologies by means of the ERMAS5 application, which, by developing all the cash flows of operations, makes it possible to assess and manage any liquidity needs of the bank generated by the imbalance of inflows and outflows in the different periods.

The analysis of overall structural liquidity is developed on a monthly basis using the Gap Liquidity Analysis technique, i.e. the imbalances per settlement date of capital flows in the predefined time horizon are highlighted.

In order to assess the impact of adverse events on risk exposure, stress tests are conducted at the consolidated level. Specifically, the events considered are:

- outflow of payable accounts on demand defined as "non-core";
- lack of inflow of contractual items (mortgages, leases, personal loans) and "on demand" due to the increase in non-performing loans;

- impairment of the proprietary securities portfolio (Held to collect and sell "HTCS" and Held to collect "HTC");
- repurchase of bonds issued;
- use of available margins on revocable credit lines (call risk).

For the purposes of the analysis, three types of scenarios are considered:

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

The simulation horizon for all simulated scenarios is 1 month, the period in which the Bank will have to cope with the crisis before initiating structural measures.

In relation to funding policy, the Group's funding strategy, given the current financial economic situation, is directed towards a stabilisation of short-term inflows from ordinary customers, favouring retail customers over wholesale customers, and a greater recourse to medium/long-term structural funding operations, securitisations, securities lending and derivative transactions.

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

The Group's liquidity at 30 June 2024 is largely under control with an LCR indicator of 200.92%.

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 – structured process for assessing potential operational risks aimed at having an overall view of operational risk events represented by company macro-process;
- Determination of the TSA capital requirement - the Banco Desio Group calculates the capital requirement using the "Traditional Standardised Approach" method. In order to comply with the relevant regulatory requirements, the Group has adopted an operational process and methodology for allocating the Relevant Indicator to the 8 business lines envisaged by the regulations, and has set up a specific internal IT procedure.

The Parent Company's Risk Management Department, within the framework of what is defined in the internal regulations, structured an adequate monitoring and reporting activity on operational risks, integrating it with the dictates of the supervisory regulations on the subject of coordination between control functions. With regard to the detrimental events collected in the Database of Corporate Operational Losses (DBPOA), a reporting system was implemented to provide all the information concerning these events: number of events, amount of gross losses and any recoveries.

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

With regard to the management and monitoring of outsourcing risk, a risk assessment methodology connected to third parties was defined and implemented, integrated into the broader operational Risk Assessment process.

Information security and data protection are priorities of the Group, which attaches central importance to risk management strategies by continuously adopting measures that comply with current privacy provisions, security regulations and the main industry standards, with the aim of guaranteeing the protection of information systems from events that could have a negative impact on the Group and the rights of those concerned.

The management, control and measurement of IT risks, including cyber risk, is embedded in the broader system of internal controls and risk management 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 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;
- ✓ 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.;
- ✓ assigned the responsibility for ICT and security control to the existing control functions (Risk Management and Compliance), defined the roles and responsibilities of each of the existing control Functions (Risk and Compliance), defined connection mechanisms and actions to ensure

that the two Functions have the necessary competences and adequately respond to all regulatory requirements;

- ✓ closed adjustment plan on regulatory gaps still open at the date of entry into force of the legislation.

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).

Logical Security Management

In response to the extraordinary needs that have emerged in connection with the ongoing state of war between Russia and Ukraine, the repercussions still present from the Covid-19 health emergency, and in compliance with the joint call by Consob, Bank of Italy, IVASS, FIU of 7 March 2022, the Group has:

- ✓ strengthened security measures against cyber attacks with the definition of a specific investment plan;
- ✓ reviewed the policy rules in firewall systems and Office 365 controls using advanced analysis tools;
- ✓ developed further synergies with the SOC (Security Operation Centre) for the activation of cloud-based systems for the protection of mobile users and Internet surfing;
- ✓ revised antispam policies by activating domain configurations and monitoring them;
- ✓ enhanced corporate e-mail protection systems in light of increasingly sophisticated channel attacks;
- ✓ planned a specific training programme for all Banco Desio internal users on cyber security with particular focus on phishing attacks;
- ✓ strengthened the security regulatory framework with the drafting of a set of documents inspired by international best practices in Information Security (ISO27001);
- ✓ enhanced vulnerability management topics with the definition of processes for managing and assessing vulnerabilities in information systems;
- ✓ revised the Fraud Management processes with a view to collecting evidence of online banking transactions and related reporting to the Legal and control functions.

Business Continuity Management

In particular, business continuity management ensured the business continuity of critical and systemic processes through the identification of business continuity resources and the possibility of smart working, providing all identified personnel with laptop and smartphone devices. Tests were also carried out to ensure the correctness of the procedures in the following areas: internal information systems, external systems (i.e. IT outsourcer Cedacri S.p.A.), 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

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 the reference date 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:

	Number	Claim	Allocated provisions
Lawsuits for revocation	9	Euro 8.8 million	Euro 1.6 million
Other lawsuits	1,557	Euro 132.7 million	Euro 10.4 million

The main disputes, with claim exceeding Euro 1 million, outstanding at the reporting date are described below:

- Claim of Euro 42.0 million. The Bank's credit, which was assigned to another company in December 2017, was admitted to the bankruptcy liabilities for a total of Euro 1,125,000 placed, as per the application, in the mortgage lien class. On 28 May 2020, a letter of formal notice was received from the Bankruptcy Curatorship formulating a request for compensation, quantifying the damages to the extent now claimed. Identical action had also been taken against the other banks already entrusted. The communication stated that the Bank, although aware of the insolvency of the bankrupt company, would continue the existing fiduciary relationship and approved the disbursement of new credit (in part intended to pay off previously suspended loans). An external lawyer was immediately instructed to respond to the Curator with a prompt and firm denial of all claims. Subsequent to the aforementioned bankruptcy warning, a formal writ of summons was served on the Bank and the Credit Institutions involved for 31 January 2022 before the Court of Rome. The claim for damages and the sum are reconfirmed as well as the grounds for the claim. The Bank's CTP carried out a preliminary expert opinion in which it states that the attributability to the Bank of the damage as determined by the claimant must (also) be excluded. At the hearing of 31 October 2022, the Bankruptcy Curatorship insisted on the court expert (CTU) and the production order; the defendant banks, including Banco Desio, objected as instrumental and irrelevant in light of the documentary evidence already filed. The Judge decided to adjourn the case to the hearing 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 9 October 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 and the Court set the first hearing on 25 February 2025;
- 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 on the ground that it was unfounded in fact and in law; the judge set the hearing for the specification of the conclusions on 5 May 2025;
- 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. The case was remanded for examination of witnesses and adjourned to the hearing on 11 September 2024;

- Claim of Euro 1.9 million. The Bankruptcy Curatorship sued the merged company Banca Popolare di Spoleto before the Court of Terni, assuming that the overall exposure to the bank and the compromised state of its financial statements should have induced the Bank to refrain from granting credit, given that doing so, the Bank would have allowed the counterparty to remain on the market and delay the declaration of Bankruptcy. The Bank argued that the modest nature of the credit lines granted (a maximum of Euro 60 thousand) lacked a causal link with the alleged abusive granting of credit. The preliminary investigation admitted by the Judge and carried out did not relate to conduct attributable to the Bank. In its judgement of 15 December 2017, the Court of Terni dismissed the claim against the defendant banks, finding that the conduct of the banks did not contribute to the director's *mala gestio*. On 16 January 2018, at the request of the Bankruptcy Curatorship, a notice of appeal was served against the aforementioned judgement. The Court of Appeal upheld the first instance judgement. The Curatorship appealed to the Court of Cassation that scheduled a hearing in chambers on 28 February 2024. The Court has not yet ruled;
- Claim of Euro 1.6 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 an accounting CTU and at the CTU verification hearing on 24 May 2024, reserved the decision;
- Claim of Euro 1.5 million. The plaintiff sued Banco Desio before the Court of Teramo to obtain the restitution of Euro 1,599,546 as a result of transactions deemed null and void involving asset management and a deed of pledge to guarantee a company. The counterparty contends that it never ordered the sale of financial instruments for a total amount of Euro one million from an asset management company (a sale that was allegedly ordered by a person who was not authorised to do so, the legal representative of the guaranteed company), the amount of which was allegedly used to open two new asset management accounts to guarantee the company's credit lines, which the counterparty claims it never established, and that it was consequently forced to reclaim amounts of Euro 460,000 in order to repay the company's credit lines. The first hearing is set for 10 December 2024;
- Claim of Euro 1.5 million. The plaintiff brought an action against Banco Desio 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 was set for 12 June 2024, at which the Judge reserved the position;

- 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 18 July 2024 while the parties are talking to find a settlement.

Quantitative information

The number of prejudicial events recorded by the Group at 30 June 2024 amounted to 675 events. The result of the process of collecting prejudicial events is summarised in the table below:

Event Type	% Events	% gross loss on total	% net loss on total	% Recoveries
INTERNAL FRAUD Losses due to acts of fraud, embezzlement, circumvention of statutes, laws or company policies (excluding incidents of discrimination), involving at least one internal member of the bank	0.00%	0.00%	0.00%	0.00%
EXTERNAL FRAUD Losses due to acts of fraud, embezzlement, circumvention of statutes, laws or company policies (excluding incidents of discrimination) perpetrated by third parties	2.96%	0.99%	1.11%	0.00%
LABOUR AGREEMENT AND WORKPLACE SAFETY Losses due to actions in breach of labour laws and agreements, health and safety in the workplace, and compensation for accidents or incidents of discrimination	0.00%	0.00%	0.00%	0.00%
RELATIONAL ACTIVITY RELATED TO CLIENTS, PRODUCTS AND CHANNELS Losses due to failure (unintentional or negligent) to perform professional commitments made with clients (including fiduciary and adequate investment information requirements)	12.15%	94.72%	94.11%	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	0.44%	0.08%	0.06%	30.43%
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	84.45%	4.21%	4.72%	0.00%
TOTAL Banco Desio e della Brianza Group	100.00%	100.00%	100.0%	0.1%

The gross operating loss amounted to Euro 14,555 thousand, on which, during the reporting period, provisions of Euro 14,108 thousand and recoveries of Euro 3 thousand were made; consequently, the net operating loss amounted to Euro 14,552 thousand.

BUSINESS COMBINATIONS INVOLVING COMPANIES OR BUSINESS UNITS

Section 1 - Transactions realised during the year

1.1. Business combinations

On 31 May 2024, following the completion of the authorisation procedures and in execution of the Agreements communicated to the market on 31 January, the strategic agreement was executed whereby Banco Desio acquired, mainly through the subscription of a reserved capital increase for Euro 6.4 million, 89.23% of the share capital of Dynamica Retail S.p.A. (the "Transaction") with the entry of Dynamica Retail S.p.A. ("Dynamica"), as well as its subsidiary Dynamica Retail Agenzia in Attività Finanziaria S.r.l., into the Banco Desio Group perimeter from 1 June 2024.

It is recalled that the Agreements signed between the Parties at the time 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, the purchase price of which will be determined on the basis of Dynamica results and shared business objectives.

Dynamica Retail S.p.A. is a company active in the provision of salary-backed loans and payment delegation to private customers. The Transaction contributes to the realisation of the "Beyond 2026" Business Plan, particularly in the consumer lending activities already overseen by the subsidiary Fides S.p.A., which will play a central role in the integration of Dynamica into the Group.

The accounting for the merger and the Purchase Price Allocation (PPA) process

The acquisition of control of Dynamica took the form of a "business combination" to be accounted for under IFRS 3, which requires the application of the acquisition method. According to this method, it is necessary to proceed to:

- identify the purchaser and the date of acquisition;
- determine the cost of the acquisition;
- allocate the cost of the acquisition ("Purchase Price Allocation", hereinafter "PPA") by recognising the assets, liabilities and contingent liabilities deemed identifiable of the acquired company at their fair values at the acquisition date, with the exception of non-current assets (or disposal groups) classified as held for sale in accordance with IFRS 5. The latter, in fact, are recorded at fair value less costs to sell. Any intangible assets not already recognised by the acquiree must also be recognised.

Without prejudice to the identification of Banco Desio as the acquiring party, the acquisition date was identified as 1 June 2024, i.e. the date on which the transaction was finalised. It is therefore from that date that Banco Desio (and consequently the Banco Desio Group) acquired control of Dynamica Retail and Dynamica Agenzia, pursuant to IFRS 10, with the consequent obligation to include them in its scope of consolidation.

For the purposes of the PPA process and the first consolidation in the consolidated financial statements of the Banco Desio Group, reference was made to the balance sheet of the two entities prepared at 31 May 2024, while the company's economic result in the consolidated financial statements of Banco Desio was included from 1 June 2024.

The acquisition cost of Euro 7.6 million was determined from the consideration transferred on the closing date for 89.23% of the share capital of Dynamica Retail. Once the acquisition cost was defined, it was allocated to equity subject to acquisition adjusted for the fair value of the assets and liabilities acquired.

With reference to the allocation of the acquisition cost, making use of the option provided for in paragraph 45 of IFRS 3, which allows the acquiring entity 12 months from the date of acquisition to definitively complete the PPA process, it should be noted that the activities will presumably be completed by the 2024 Financial Statements in order to avoid undue cost or effort in the acquisition and analysis of the information in existence at the date of acquisition that is necessary to carry out the valuations of the various items acquired and assumed.

Therefore, for the purposes of this Half-Year Financial Report, with the support of an independent expert, the PPA process was provisionally carried out, which resulted in the emergence of "badwill". In particular, analyses were

conducted to recalculate the fair value of the assets acquired and liabilities assumed and to identify any specific intangibles not previously recognised in the Dinamica financial statements.

The balance sheet of the Dinamica Group at the date of acquisition is shown below with a comparison of the carrying amounts derived from the IAS/IFRS financial statements and the relative fair values derived from the provisional PPA process.

Euro/000

Asset items	Dinamica Group	FV Differences	Acquisition FV	
10. Cash and cash equivalents	4,843	-	4,843	
20. Financial assets measured at fair value through profit or loss	15,286	(75)	15,211	
a) financial assets held for trading	15,211	-	15,211	
c) other financial assets mandatorily measured at fair value	75	(75)	(0)	
40. Financial assets measured at amortised cost	90,396	(678)	89,718	
a) loans with banks	5,871	-	5,871	
b) loans to customers	84,525	(678)	83,847	
90. Tangible assets	531	-	531	
100. Intangible assets	288	-	288	
110. Tax assets	5,497	1,556	7,053	
a) current	78	-	78	
b) deferred	5,419	1,556	6,975	
130. Other assets	2,608	-	2,608	
Total assets	119,449	803	120,252	[A]

Euro/000

Liabilities and equity items	Dinamica Group	FV Differences	Acquisition FV	
10. Financial liabilities measured at amortised cost	88,669	-	88,669	
a) payables to banks	15,397	-	15,397	
b) payables to customers	73,272	-	73,272	
60. Tax liabilities	115	-	115	
a) current	115	-	115	
80. Other liabilities	11,739	-	11,739	
90. Employee severance indemnity (TFR)	625	-	625	
100. Provisions for risks and charges	4,268	4,753	9,021	
c) other provisions for risks and charges	4,268	4,753	9,021	
Total liabilities	105,416	4,753	110,169	[B]

Below are the specific cases provisionally recognised in application of the Banco Desio Group's accounting standards:

- financial assets measured at fair value: the analyses conducted led to the identification of a negative fair value adjustment of Euro 0.1 million;
- financial assets measured at amortised cost: the analyses conducted led to the identification of a negative fair value adjustment of Euro 0.7 million;
- provisions for risks and charges: the analyses conducted led to the identification of the need for higher provisions of Euro 4.8 million related, in particular, to the situation of legal uncertainty surrounding transactions with customers in the consumer credit sector.

Preliminary analysis also showed that:

- there are no valuation effects referring to the subsidiary Dinamica Agenzia given the operations carried out by it and therefore the short-term nature of the items in the financial statements;
- the impacts expected from the fair value measurement of other medium/long-term items of the financial statements (e.g., the loan portfolio of the Rainbow securitisation retained under financial assets at amortised cost, senior and mezzanine notes issued as part of the same securitisation) would be very limited (compared to the Banco Desio Group's consolidated financial statements) and substantially balanced between assets and liabilities, for which all the information necessary for estimation activities is being gathered;

- there would appear to be no basis for valuing any intangibles originating from so-called client relationships.

Banco Desio structures, with the support of the independent expert, are committed to acquiring the information necessary to carry out the fair value measurement of the identifiable assets and liabilities of the acquired entity and consequently terminate the (definitive) PPA process in time for the preparation of the 2024 Financial Statements, on the assumption that by that date, all the activities of identifying the assets and liabilities acquired (including contingent liabilities) and measuring their fair value will be completed, with all the elements necessary to conclude the estimation activities.

Summary of the acquisition cost allocation process and the determination of badwill

As required by IFRS 3, at the acquisition date the acquirer must, inter alia, (i) recognise and "measure the identifiable assets acquired and liabilities assumed" and (ii) recognise and "measure goodwill or a gain from a purchase at favourable prices".

In this specific case, Banco Desio actually found itself in the position of having to recognise a profit from a purchase at a favourable price (so-called badwill), which was determined as the difference between the cost of the business combination compared to the interest of the acquirer in the company's equity expressed at fair value at the acquisition date.

The cost of the acquisition, as mentioned, amounted to Euro 7.6 million, while the 89.23% IAS/IFRS net assets of Dynamica Retail and Dynamica Agenzia subject to acquisition at 1 June 2024, appropriately remeasured to fair value, amounted to Euro 9.0 million.

The following table summarises the allocation of the acquisition cost and the determination of badwill:

Euro/000

Recognition and measurement of goodwill or a gain from a purchase at favourable prices (as per IFRS 3.32)	Dynamica Group	
Equity	14,032	[1]
Fair value adjustment effects of accounting items	(3,950)	[2] = [A] - [B]
- of which FV adjustment of financial assets measured at fair value	(75)	
- of which FV adjustment of financial assets measured at amortised cost	(678)	
- of which adjustment to provisions for risks and charges	(4,753)	
- of which tax-related effects	1,556	
Net unbalance at fair value at acquisition date	10,082	[3] = [1] + [2]
Net assets acquired = [3] * 89.23%	8,996	[4] = [3] * 89.23%
Acquisition cost (consideration transferred as per IFRS 3.37)	7,624	[5]
of which Aucap Banco Desio	6,400	
of which minority shareholders take over	1,224	
(+) Badwill	1,372	[6] = [4] - [5]

The "badwill" thus determined to be Euro 1.4 million, which is part of the equity endowment contributed to Dynamica by the shareholder Banco Desio, is represented in the item "Other operating expenses/income" in this Consolidated Half-Year Financial Report of the Banco Desio Group.

RELATED PARTY TRANSACTIONS

1. Information on compensation of Key Managers

For information on the remuneration of those who have the power and responsibility, directly or indirectly, for the planning, management and control of the Bank's activities, a definition that includes directors, members of the control bodies and key managers, please refer to the "Report on the Remuneration Policy and amounts paid" at 31 December 2023 prepared pursuant to Article 123-ter TUF and published on the website at www.bancodesio.it.

2. Information on related party transactions

The Internal Procedure ("Internal Regulation") for the management of transactions with related parties and parties included in the scope of application of Article 136 of the Consolidated Law on Banking, adopted in compliance with Consob Regulation No. 17221/2010 as updated by Resolution No. 21624/2020, and supplemented at the time in compliance with the Prudential Supervisory Provisions on risk activities and conflicts of interest in respect of parties connected with the Bank or the Banking Group pursuant to Article 53 of the Consolidated Law on Banking and most recently supplemented in compliance with the 35th update of Bank of Italy Circular No. 285 and related enactment in implementation of the EU Directive so-called CRD5, is described in the "Annual Corporate Governance Report" at 31 December 2023. The Procedure itself is published, in compliance with the aforementioned Regulation, on the website at www.bancodesio.it, section "the Bank/Governance/Corporate Documents/Related Parties".

Whereas, pursuant to article 5 of Consob Regulation No. 17221/2010 and Article 154-ter of the Consolidated Law on Finance referred to therein, periodic information must be provided:

- a. on individual "major" transactions concluded during the reporting period, meaning those transactions which, even cumulatively, exceed the thresholds laid down in Annex 3 of the aforementioned Regulation⁶;
- 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 reference period;

in the reference period, there were no noteworthy transactions with the exception of the Acquisition of a controlling stake by Banco Desio in Dinamica Retail S.p.A. ("Dinamica").

On 31 May 2024, following the completion of the resolution procedures and in execution of the Agreements signed between the Parties, the closing of the transaction was finalised involving the entry of Banco Desio into the share capital of Dinamica through the purchase of the majority of the share capital and the subscription of a capital increase reserved for Banco Desio (the "Transaction").

As a result of the Transaction, Dinamica and its subsidiary Dinamica Retail Agenzia in Attività Finanziaria Srl ("Dinamica Agenzia"), both of which are subject to management and coordination by Banco Desio, became part of the Banking Group's perimeter, as well as of the perimeter of related parties, effective 1 June 2024.

For further information on the transaction, please refer to the section "Significant corporate events during the period", as well as to the press release issued on 31 May and also available on the institutional website (section The Bank/Press/Press releases).

⁶ with regard to the materiality index of the value of related party transactions, the Internal Procedure refers to a materiality threshold of Euro 37.5 million (corresponding to 5% of the consolidated regulatory capital recorded at the date of adoption of the Procedure itself).

Related party transactions are generally governed by market-equivalent or standard conditions and are in any case justified in the interest of the group to which they belong. The comparison with market-equivalent or standard conditions is indicated in the periodic reporting to the Corporate Bodies of the transactions carried out.

In this context, there were no transactions outstanding at 30 June 2024 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, Subsidiaries, the Associates and other Related Parties pursuant to Article 53 of the Consolidated Law on Banking and/or Article 2391-bis of the Italian Civil Code (comprising entities treated pursuant to article 136 of the Consolidated Law on Banking in accordance with the regulations, including internal regulations in force), highlighting in particular the balances of current accounts and securities portfolios at the end of the half-year.

Parent Company

On 3 July 2023, Banco Desio entered into, with the Parent Company 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, which will be 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 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), as well as on the Banco Desio website (section The Bank/Governance/Corporate documents/Related parties).

It is also recalled that the service agreement with Brianza Unione was renewed, regulating the reciprocal rights and obligations inherent to the accounting and reporting activities delegated to Banco Desio 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.

At the end of the half-year, accounts payable (to customers) to the Parent Brianza Unione amounted to a total of Euro 380.9 million, of which Euro 374.6 million, relating to securities portfolios.

With the same Company, the service agreement was renewed, regulating the reciprocal rights and obligations inherent to the accounting and reporting activities delegated to Banco Desio 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".

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 7,643,000 in the open-end Planetarium Fund - Anthilia White and Planetarium Fund - Anthilia Yellow.

For further details, please refer to as described in the Notes of this report under "Equity Investments - Item 70".

Transactions with Officers and with parties related to them⁷

With regard to the entrustment transactions approved in the first half of 2024 pursuant to art. 53 of the Consolidated Law on Banking (also in accordance with the new provisions introduced by the Legislative Decree transposing Directive 2013/36/EU, so-called CRD IV) and/or Article 2391-bis of the Italian Civil Code (comprising parties treated pursuant to Article 136 of the Consolidated Law on Banking, in compliance with the regulations, including internal regulations in force), it should be noted that these were mainly ordinary credit disbursement transactions to Group Officers and/or parties related to them (meaning directors, statutory auditors and key managers in the Bank and in subsidiaries). These ties did not affect the application of the normal criteria for assessing creditworthiness. The total amount granted on the 37

⁷ 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).

positions outstanding at 30 June 2024 was about Euro 13.6 million and the related utilisations totalled about Euro 5.5 million.

With regard to the inflows relationships held directly with the Officers, as well as with related parties, it should also be noted that the total balances at 30 June 2024 amounted to approximately Euro 214 million in amounts due to customers (including approximately Euro 189.5 million in securities portfolios).

Excluded from the above calculations are transactions and balances relating to the Parent Company referred to in the paragraph 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 30.06.2024 (in Euro/million)
<u>Entrustment transactions:</u>	
Amount granted	13.6
Amount used	5.5
<u>Collection transactions:</u>	
Amount of current accounts and savings deposits (a)	24.5
Amount of securities portfolios (b)	189.5
Total (a+b)	214

In accordance with Consob Resolution No. 15519 of 27 July 2006, it should be noted that the overall impact of the balances, indicated in the previous paragraphs, from an equity, financial and economic perspective, is substantially marginal.

PAYMENT AGREEMENTS BASED ON OWN EQUITY INSTRUMENTS

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 2024 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 2024 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 ESG issues as outlined in the company Masterplan. The Banco Desio Group's remuneration policy is gender-neutral.

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 identified in the year 2024 is paid over six or five years, divided into an up-front portion and five or four annual deferred portions subject to the positive verification of future conditions. The up-front portion regardless of the beneficiary is equal to:

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

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

Of the up-front portion of the incentive, 50% is recognised in "Banco Desio phantom shares" 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 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 Short Term Incentive (STI) 2024 plan.

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.

In addition to the remuneration plans based on Banco di Desio phantom shares, relating to the 2024 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 18 April 2024 approved:

- the remuneration policy for the 2024 financial year contained in Section I of the "2024 Report on the remuneration policy and amounts paid in 2023" and
- the report on the amounts paid in the year 2023 contained in Section II of the same "2024 Report on the remuneration policy and amounts paid in 2023".

For more detailed information, refer to the contents of the documents "2024 Report on remuneration policy and on compensation paid 2023" and "Information document relating to the Plan "2024 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.

1.2 Share-based compensation plans from previous years

On 8 February 2024, the Board of Directors of Banco Desio acknowledged the vesting, in the year 2024, 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.

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 25 March 2024 in relation to the share-based compensation plan approved by the ordinary Shareholders' Meeting of 27 April 2023, a total of 120,333 Banco Desio phantom shares were assigned to 9 beneficiaries, of which (i) 58,310 related to the upfront portion and (ii) 62,023 related to the deferred portions in the following three 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 110,774 Banco Desio phantom shares to its 8 beneficiaries, of which 52,575 related to the up-front portion and 58,199 related to the deferred portions as specified above.

2.1 Economic Impacts

With regard to share-based incentive systems for key personnel, in the first half of 2024, the Group allocated an expected expense of Euro 0.98 million related essentially to the Parent Company's 2024 Phantom Shares Plan. On the other hand, the "LTI 2024-2026" Plan at 30 June 2024 shows an expected expense of Euro 1.3 million.

SEGMENT REPORTING

The Banco Desio Group operates by carrying out traditional credit intermediation, asset management, and the offer of life and non-life bancassurance products.

Consistent with the internal reporting system on the basis of which management monitors performance and makes operational decisions on resources to be allocated, segment reporting takes into account the organisational and management structure described below.

The "banking" sector includes Banco di Desio e della Brianza S.p.A. and the special purpose vehicle "Desio OBG S.r.l.", set up specifically for the covered bond issue programme.

The "para-banking" sector includes Fides S.p.A. and Dinamica Retail S.p.A., financial intermediaries registered in the register pursuant to Article 106 of the Consolidated Law on Banking, as well as Dinamica Retail Agenzia in attività finanziaria S.r.l.

The column "consolidation adjustments" includes consolidation entries and intragroup eliminations, with the exception of entries relating to the Purchase Price Allocation (PPA) provisionally determined at the date of acquisition (1 June 2024) of Dinamica Retail S.p.A and Dinamica Retail Agenzia attributed to the "para-banking" sector to which they refer.

The total of the three columns as described above represents the balance of the Banco Desio Group as per the consolidated half-year situation.

Income statement figures	Banking	Parabanking	Consolidation adjustments	Total 30.06.2024
Margin on financial and insurance operations ⁽¹⁾	318,428	13,243	(3,861)	327,810
Structural costs ⁽²⁾	(183,640)	(6,568)	192	(190,016)
Allocations and adjustments ⁽³⁾	(23,057)	(1,801)	140	(24,718)
Gains (Losses) on investments valued at equity			138	138
Gains (Losses) on disposal of investments				
Profit (Loss) from current operations before taxes	111,731	4,874	(3,391)	113,214

Balance sheet figures	Banking	Parabanking	Consolidation adjustments	Total 30.06.2024
Financial assets	4,165,969	68,125		4,234,094
Loans with banks ⁽⁴⁾	304,873	9,066	(2,582)	311,357
Loans to customers ⁽⁴⁾	11,457,729	1,367,899	(1,175,671)	11,649,957
Payables to banks	1,055,872	1,176,086	(1,175,740)	1,056,218
Payables to customers	12,627,244	79,886	(160,333)	12,546,797
Securities issued	2,544,166	282,816		2,826,982
Indirect inflows, administered and managed	21,201,749			21,201,749

Income statement figures	Banking	Parabanking	Consolidation adjustments	Total 30.06.2023
Margin on financial and insurance operations ⁽¹⁾	328,312	10,677	(4,214)	334,775
Structural costs ⁽²⁾	(168,590)	(5,016)	141	(173,465)
Allocations and adjustments ⁽³⁾	(23,101)	(759)	16	(23,844)
Gains (Losses) on investments valued at equity	-		(22)	(22)
Gains (Losses) on disposal of investments			-	
Profit (Loss) from current operations before taxes	136,621	4,902	(4,079)	137,444

Balance sheet figures	Banking	Parabanking	Consolidation adjustments	Total 31.12.2023
Financial assets	3,957,354	-	-	3,957,354
Loans with banks ⁽⁴⁾	232,629	60,728	18	293,339
Loans to customers ⁽⁴⁾	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
Indirect inflows, administered and managed	20,075,615			20,075,615

⁽¹⁾ including other operating expenses/income and gains/losses from contractual amendments without derecognition

⁽²⁾ administrative expenses, net adjustments on tangible and intangible assets

⁽³⁾ net value adjustments for impairment of loans and financial assets, allocations to provisions for risks and charges

⁽⁴⁾ net of debt securities held to collect (HTC) recognised at amortised cost and shown under financial assets

**CERTIFICATION OF THE CONDENSED HALF-YEAR FINANCIAL
STATEMENTS
PURSUANT TO ARTICLE 81-TER OF CONSOB REGULATION
NO. 11971 OF 14 MAY 1999**

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

1. The undersigned Alessandro Maria Decio, Chief Executive Officer, and Mauro Walter Colombo, Financial Reporting Manager, of Banco di Desio e della Brianza S.p.A. certify, also taking into account the provisions of article 154-bis, paragraphs 3 and 4, of Legislative Decree no. 58 of 24 February 1998:
 - the adequacy in relation to the characteristics of the company and
 - the effective application of the administrative and accounting procedures as the basis for preparation of the condensed consolidated half-year financial statements, in the first half of 2024.
2. The assessment of the adequacy of the administrative and accounting procedures for the preparation of the condensed consolidated half-year financial statements at 30 June 2024 was based on a process defined by Banco di Desio e della Brianza S.p.A. in accordance with the Internal Control Integrated Framework model, issued by the Committee of Sponsoring Organisations of the Treadway Commission, which represents a generally accepted reference framework at an international level.
3. It is also certified that:
 - 3.1 the condensed consolidated half-year financial statements:
 - a. are prepared in compliance with the applicable international accounting standards endorsed by the European Community pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and Council, of 19 July 2002;
 - b. correspond to the information contained in the accounting ledgers and records;
 - c. provide a true and fair representation of the equity, economic and financial situation of the Issuer and the whole of the companies included in the scope of consolidation.
 - 3.2 the interim report on operations includes a reliable analysis of references to important events that occurred in the first six months of the year and their impact on the condensed consolidated half-year financial statements, together with a description of the main risks and uncertainties for the remaining six months of the year. The interim report on operations also includes a reliable analysis of the information regarding related party transactions.

Desio, 30 July 2024

The CEO

Alessandro Decio

The Financial Reporting Manager

Mauro Walter Colombo

AUDITOR'S REPORT



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

Report on review of condensed interim consolidated financial statements

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

Introduction

We have reviewed the accompanying condensed interim consolidated financial statements of the Banco Desio Group, comprising the balance sheet, income statement, statement of comprehensive income, statement of changes in shareholders' equity, statement of cash flows and notes thereto, as at and for the six months ended 30 June 2024. The parent's directors of Banco Desio e della Brianza S.p.A. are responsible for the preparation of these condensed interim consolidated financial statements in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union. Our responsibility is to express a conclusion on these condensed interim consolidated financial statements based on our review.

Scope of review

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

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
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Trieste Varese Verona

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Banco Desio Group
Report on review of condensed interim consolidated financial statements
30 June 2024

Conclusions

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements of the Banco Desio Group as at and for the six months ended 30 June 2024 have not been prepared, in all material respects, in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union.

Milan, 2 August 2024

KPMG S.p.A.

(Signed on the original)

Alessandro Nespoli
Director of Audit

ANNEX

QUARTERLY DEVELOPMENT OF THE CONSOLIDATED INCOME STATEMENT

Items	Q2 2024	Q1 2024	Q2 2023	Q1 2023
10. Interest and similar income	156,918	173,309	140,673	123,513
20. Interest and similar expense	(62,924)	(73,491)	(51,393)	(42,640)
30. Net interest income	93,994	99,818	89,280	80,873
40. Commission income	61,048	56,123	52,464	51,293
50. Commission expenses	(830)	(6,598)	6	(5,698)
60. Net commissions	60,218	49,525	52,470	45,595
70. Dividends and similar income	127	462	85	469
80. Net trading result	551	1,702	595	583
90. Net hedging result	198	(220)	1,693	(56)
100. Gains (losses) on sale or repurchase of:	2,461	4,342	(2,349)	911
a) financial assets measured at amortised cost	2,443	1,919	(2,862)	661
b) financial assets measured at fair value through other comprehensive income	8	2,372	412	74
c) financial liabilities	10	51	101	176
110. Net result of other financial assets and liabilities measured at fair value through profit or loss	(2,798)	(3,136)	(4,493)	(1,302)
b) other financial assets mandatorily measured at fair value	(2,798)	(3,136)	(4,493)	(1,302)
120. Net banking income	154,751	152,493	137,281	127,073
130. Net value adjustments/reversals for credit risk related to:	(9,549)	(1,518)	(9,509)	(11,074)
a) financial assets measured at amortised cost	(9,413)	(1,700)	(9,500)	(11,078)
b) financial assets measured at fair value through other comprehensive income	(136)	182	(9)	4
140. Gains/losses from contractual amendments without derecognition	11	5	48	22
150. Net result from financial operations	145,213	150,980	127,820	116,021
180. Net result from financial and insurance operations	145,213	150,980	127,820	116,021
190. Administrative expenses:	(83,498)	(95,038)	(80,730)	(82,841)
a) personnel expenses	(53,510)	(53,749)	(49,081)	(45,508)
b) other administrative expenses	(29,988)	(41,289)	(31,649)	(37,333)
200. Net allocations to provisions for risks and charges	(13,529)	(122)	(1,514)	(1,747)
a) commitments for guarantees given	147	640	980	(563)
b) other net allocations	(13,676)	(762)	(2,494)	(1,184)
210. Net value adjustments/reversals on tangible assets	(4,714)	(4,606)	(4,491)	(4,209)
220. Net value adjustments/reversals on intangible assets	(1,085)	(1,075)	(638)	(555)
230. Other operating expenses/income	11,457	9,093	11,717	58,633
240. Operating costs	(91,369)	(91,748)	(75,656)	(30,719)
250. Gains (Losses) on investments	88	50	(12)	(10)
290. Profit (Loss) from current operations before taxes	53,932	59,282	52,152	85,292
300. Income taxes for the year on current operations	(18,139)	(20,142)	(17,034)	(25,490)
310. Profit (Loss) from current operations after taxes	35,793	39,140	35,118	59,802
320. Profit (Loss) from discontinued operations after taxes	2,959	-	(259)	98,684
330. Profit (Loss) for the year	38,752	39,140	34,859	158,486
340. Profit (Loss) for the year attributable to minority interests	(196)	-	-	-
350. Profit (Loss) for the year attributable to the parent company	38,948	39,140	34,859	158,486