



BASEL III PILLAR 3

PUBLIC DISCLOSURES AS AT 30 JUNE 2022

Banco di Desio e della Brianza S.p.A. | Registered office via Rovagnati, 1 - 20832 Desio (MB) | Tax Code 01181770155 | Registered in the Metropolitan Chamber of Commerce of Milan, Monza and Brianza and Lodi | Share capital Euro 70,692,590.28 iv. | Member of the Interbank Deposit Protection Fund | and the National Guarantee Fund | Registered in the Register of Banks under ABI code no. 3440/5 | Parent Company of the Banco di Desio and Brianza Banking Group | Registered in the Register of Banking Groups under no. 3440/5

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1. Introduction

On 1 January 2014, the harmonised rules for banks and investment firms became effective, as contained in Regulation (EU) 575/2013 (Capital Requirements Regulation, hereinafter "CRR" or the "Regulation") and in Directive 2014/36/EU (Capital Requirements Directive, hereinafter "CRD IV" or the "Directive") of 26 June 2014 that transpose into the European Union's regulatory framework the measures adopted by the Basel Committee for Banking Supervision (Basel 3 framework). In this regard, the Third Pillar legislation includes an obligation to publish information concerning capital adequacy, exposure to risks and the general characteristics of the systems designed for the identification, measurement and management of such risks. In particular, Public Disclosures are regulated by Regulation EU 575/2013 (CRR), Part Eight and Part Ten, Title I, Chapter 3 and by the regulatory technical or implementing standards issued by the European Commission.

EU regulation no. 876/2019 ("CRR II"), in force since 28 June 2021, amended EU Regulation 575/2013, updating the contents of the public disclosures (articles 431 *et seq.*).

EU Regulation 2021/637 which establishes technical implementation standards with regard to the publication by entities of the information required by the "CRR", on the other hand, organically regulated the table contents and the qualitative information required to comply with each article of the "CRR" (replacing and integrating various guidelines previously published on individual topics).

The Banco does not qualify as a large entity nor as a small and non-complex entity pursuant to art. 433, so for the second time it is required to provide simplified information on a half-yearly basis containing:

- the key metrics required by art. 447, i.e. the main indicators of capital solidity, indebtedness and liquidity, and the regulatory requirements that have to be complied with;
- The disclosures required according to the EBA/GL/2020/07 formats with reference to the moratoriums granted and the new loans subject to public guarantee schemes in the context of Covid-19 as of 30 June 2022.

Public disclosures are prepared with the collaboration of various bodies and functions involved in the governance and execution of processes, in accordance with the duties laid down in the Group's internal regulations. The Banco Desio Group had already drawn up a formal policy to comply with the disclosure requirements, aimed at formalising the processes used for the preparation and publication of public disclosures.

In order to comply with the changes that have been introduced, on 22 March 2022 the Board of Directors approved a revision of the internal regulatory framework to replace the previous one. The new one consists of:

- a Policy that establishes guidelines for those involved in preparing the public disclosure document, laying down the main roles and responsibilities of everyone involved in the process;
- a Regulation to guide the corporate functions involved in the process of governance and preparation of the public disclosure document and to define in greater detail the roles, responsibilities and activities needed for the design, preparation and approval of the document;
- an Operating Manual to accompany the Regulation, which describes in greater detail the various stages of the process and the various control points.

For the sake of completeness, it is worth specifying that the information published refers to the scope of prudential consolidation of Brianza Unione di Luigi Gavazzi and Stefano Lado S.A.p.A., i.e. to the group of entities subject to the prudential consolidation in question. Any mismatches with respect to other sources (such as the consolidated financial statements prepared at the same reporting date) are therefore attributable to differences in scope.

Unless otherwise indicated, the amounts in the tables and the figures presented in this document are expressed in thousands of Euro.

The Banco Desio Group has published these Public Disclosures on its website (www.bancodesio.it).

2. Key metrics pursuant to Art. 447 CRR

Under the provisions of articles 11, paragraphs 2 and 3 and 13, paragraph 2 of the CRR, banks controlled by a "financial holding company" have to comply with the requirements established by the aforementioned regulation on the basis of the consolidated situation of the financial holding company. This means having to calculate capital ratios at the level of Brianza Union of Luigi Gavazzi and Stefano Lado S.A.p.A., the parent company of Banco di Desio and Brianza S.p.A. with 50.41%. Following the periodic Supervisory Review and Evaluation Process (SREP), on 18 May 2022, the Bank of Italy informed Banco di Desio e della Brianza S.p.S. and the financial holding company Brianza Unione di Luigi Gavazzi e Stefano Lado S.A.p.A. of its decision regarding capital, ordering that, from the next report on own funds, the Brianza Unione Group was to adopt the following consolidated capital ratios:

- CET1 ratio of 7.35%, binding for 4.85% (minimum regulatory requirement of 4.50% and additional requirements of 0.35% as a result of the SREP), while the remainder is represented by the capital conservation buffer;
- Tier 1 ratio of 9.00%, binding for 6.50% (minimum regulatory requirement of 6.00% and additional requirements of 0.50% as a result of the SREP), while the remainder is represented by the capital conservation buffer;
- Total Capital Ratio of 11.15%, binding for 8.65% (minimum regulatory requirement of 8.00% and additional requirements of 0.65% as a result of the SREP), while the remainder is represented by the capital conservation buffer.

The 2.5% capital conservation buffer, in addition to the minimum requirements, is designed to provide banks with high quality capital resources to be used in times of market tension to prevent failures of the banking system and avoid interruptions in the process of credit disbursement.

When drafting the resolution plan, the Bank of Italy, as the National Resolution Authority, also determined the minimum requirement of own funds and eligible liabilities (MREL) for the Banco di Desio e della Brianza Group. This requirement is equivalent to the amount needed to absorb losses and coincides with the greater of the binding Total Capital Ratio required by the SREP (8.65% binding level) and financial leverage (3%).

For the purposes of calculating the "Risk assets and supervisory ratios", EU legislation subjects SMEs to a facilitated weighting system (support factor equal to 0.7619 for exposures up to € 2.5 million and 0.85 for the part in excess € 2.5 million).

On 25 January 2018, the Bank's Board of Directors resolved to adopt the transitional arrangements introduced by the Regulation (EU) 2017/2395 of 12 December 2017, aimed at mitigating the impact of IFRS 9 on own funds and capital ratios, with reference to both the increase in adjustments for expected losses on performing and non-performing loans on first-time application of the standard and to the increase in expected losses on performing loans compared with the date of first-time application of the standard.

The transitional provisions for sterilisation of the impacts of IFRS 9 were subsequently extended by EU Regulation 873/2020, which allowed banks to sterilise in a decreasing manner the impacts on capital associated with the increase in impairment losses on loans recognised in the period 2020 - 2024 compared with 1 January 2020 for stage 1 and 2 portfolios.

At the board meeting on 30 July 2020, the Board of Directors of the Parent Company also resolved to make use of the option provided for by Regulation 2020/873 i.e. the temporary treatment of unrealised profits and losses measured at fair value recognised in other comprehensive income for Government debt securities for the period 2020-2022 (exclusion factor of 1 in 2020, 0.70 in 2021 and 0.40 in 2022).

In application of the changes introduced by CRR II, the key metrics required by art. 447, or the main indicators of capital solidity, degree of debt and liquidity, and the related regulatory requirements to be respected, with reference to the last 5 quarters subject to prudential reporting (i.e. for the period 30 June 2021 - 30 June 2022).

EU KM1 model: key metrics

		a	b	c	d	e
		30/06/2022	31/03/2022	31/12/2021	30/09/2021	30/06/2021
Own funds available (amounts)						
1	Common Equity Tier 1 (CET1) capital	826,582	812,690	840,462	826,560	825,101
2	Tier 1 capital	887,002	869,230	898,097	882,901	881,836
3	Total capital	965,731	944,773	972,982	957,036	959,460
Risk-weighted exposures						
4	Total amount of risk exposure	7,382,626	7,124,341	7,215,518	7,020,423	7,062,071
Capital ratios (as % of the risk-weighted exposure)						
5	Common Equity Tier 1 ratio (%)	11.1963%	11.4072%	11.6480%	11.7736%	11.6836%
6	Tier 1 capital ratio (%)	12.0147%	12.2008%	12.4467%	12.5762%	12.4869%
7	Total capital ratio (%)	13.0811%	13.2612%	13.4846%	13.6322%	13.5861%
Additional own funds requirements to address risks other than that of excessive leverage (as % of risk-weighted exposure)						
EU 7a	Additional own funds requirements to address risks other than that of excessive leverage (%)	0.6500%	0.6000%	0.6000%	0.6000%	0.6000%
EU 7b	Of which consisting of CET1 capital (percentage points)	0.3500%	0.3500%	0.3500%	0.3500%	0.3500%
EU 7c	Of which consisting of Tier 1 capital (percentage points)	0.5000%	0.4500%	0.4500%	0.4500%	0.4500%
EU 7d	Total SREP own funds requirements (%)	8.6500%	8.6000%	8.6000%	8.6000%	8.6000%
Combined reserve requirement and total capital requirement (as % of the risk-weighted exposure)						
8	Capital conservation reserve (%)	2.5000%	2.5000%	2.5000%	2.5000%	2.5000%
EU 8a	Retention buffer due to macroprudential or systemic risk identified at Member State level (%)	0%	0%	0%	0%	0%
9	Institution-specific countercyclical capital buffer (%)	0%	0%	0%	0%	0%
EU 9a	Capital buffer for systemic risk (%)	0%	0%	0%	0%	0%
10	Reserve of systemically important institutions globally (%)	0%	0%	0%	0%	0%
EU 10a	Reserve of other systemically important institutions (%)	0%	0%	0%	0%	0%
11	Combined buffer requirement (%)	2.5000%	2.5000%	2.5000%	2.5000%	2.5000%
EU 11a	Total capital requirements (%)	11.1500%	11.1000%	11.1000%	11.1000%	11.1000%
12	CET1 available after meeting total SREP own funds requirements (%)	2.5963%	2.8072%	3.0480%	3.1736%	3.0836%
Leverage ratio						
13	Measurement of overall exposure	18,933,699	19,119,174	18,376,789	18,360,954	17,847,708
14	Leverage ratio (%)	4.6848%	4.5464%	4.8871%	4.8086%	4.9409%
Additional own funds requirements to address the risk of excessive leverage (as % of the overall exposure)						
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	0%	0%	0%	0%	0%
EU 14b	Of which consisting of CET1 capital (percentage points)	0%	0%	0%	0%	0%
EU 14c	Total SREP Leverage Ratio Requirements (%)	3.0000%	3.0000%	3.0000%	3.0000%	3.0000%
Leverage ratio buffer and overall leverage ratio requirement (as % of the overall exposure)						
EU 14d	Leverage Ratio Reserve Requirement (%)	3.0000%	3.0000%	3.0000%	3.0000%	3.0000%
EU 14e	Overall leverage ratio requirement (%)	3.0000%	3.0000%	3.0000%	3.0000%	3.0000%
Liquidity coverage ratio						
15	Total high quality liquid assets (HQLA) (weighted value - average)	2,749,406	2,975,545	3,097,842	3,407,847	3,564,265
EU 16a	Cash outflows - Total weighted value	2,141,844	2,026,904	2,064,235	2,080,560	2,146,940
EU 16b	Cash inflows - Total weighted value	527,261	506,401	514,348	525,650	513,884
16	Total net cash outflows (adjusted value)	1,614,584	1,520,503	1,549,887	1,554,910	1,633,056
17	Liquidity coverage ratio (%)	170.2858%	195.6948%	199.8753%	219.1669%	218.2573%
Stable net funding ratio						
18	Total stable funding available	14,771,955	15,059,359	14,845,920	14,395,976	14,130,765
19	Total stable funding required	11,296,013	11,490,893	11,225,054	10,734,745	10,521,619
20	NSFR (%)	130.7714%	131.0547%	132.2570%	134.1064%	134.3022%

At 30 June 2022 the consolidated ratios calculated for the financial holding company are above the regulatory thresholds, also considering the limits imposed by the Supervisory Authority through the SREP procedure referred to previously.

The capital ratios without applying the transitional provisions, as reported in the following table, also confirm the Group's capital solidity.

Statement of comparison of Own Funds and Capital Adequacy Ratios calculated with application of EU Regulation 2017/2395 (application of transitional arrangements) and with full application of the impacts relating to IFRS 9 (without application of the transitional arrangements)

	30.06.2022			31.03.2022			31.12.2021		
	Application of transitional arrangements	Without IFRS 9 transitional arrangements	Fully loaded	Application of transitional arrangements	Without IFRS 9 transitional arrangements	Fully loaded	Application of transitional arrangements	Without IFRS 9 transitional arrangements	Fully loaded
OWN FUNDS									
Common Equity Tier 1 (CET 1) capital	826,582	799,072	794,685	812,690	786,765	785,248	840,462	798,859	797,984
Tier 1 capital	887,002	858,939	854,551	869,230	842,793	841,277	898,097	855,675	854,801
Total Own Funds	965,731	936,947	932,560	944,773	915,139	913,476	972,982	929,543	928,672
RISK ASSETS									
Risk-weighted assets	7,382,626	7,315,001	7,315,001	7,124,341	7,059,883	7,059,883	7,215,518	7,112,902	7,112,902
SUPERVISORY RATIOS									
Common Equity Tier 1 capital/Risk-weighted assets (CET1 capital ratio)	11.196%	10.924%	10.864%	11.407%	11.144%	11.123%	11.648%	11.231%	11.219%
Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)	12.015%	11.742%	11.682%	12.201%	11.938%	11.916%	12.447%	12.030%	12.018%
Total Own Funds/Risk-weighted assets (Total capital ratio)	13.081%	12.809%	12.749%	13.261%	12.963%	12.939%	13.485%	13.068%	13.056%
LEVERAGE RATIO									
Measurement of total leverage ratio exposure	18,933,699	18,933,699	18,933,699	19,119,174	19,119,174	19,119,174	18,376,789	18,376,789	18,376,789
Leverage ratio	4.68%	4.54%	4.51%	4.55%	4.41%	4.40%	4.90%	4.70%	4.65%

	30.09.2021			30.06.2021		
	Application of transitional arrangements	Without IFRS 9 transitional arrangements	Fully loaded	Application of transitional arrangements	Without IFRS 9 transitional arrangements	Fully loaded
OWN FUNDS						
Common Equity Tier 1 (CET 1) capital	826,560	793,382	793,393	825,101	791,740	791,755
Tier 1 capital	882,901	849,087	848,910	881,836	847,836	847,663
Total Own Funds	957,036	922,489	922,363	959,460	924,872	924,748
RISK ASSETS						
Risk-weighted assets	7,020,423	6,940,906	6,940,906	7,062,071	6,982,213	6,982,123
SUPERVISORY RATIOS						
Common Equity Tier 1 capital/Risk-weighted assets (CET1 capital ratio)	11.774%	11.431%	11.431%	11.684%	11.339%	11.340%
Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)	12.576%	12.233%	12.231%	12.487%	12.143%	12.140%
Total Own Funds/Risk-weighted assets (Total capital ratio)	13.632%	13.291%	13.289%	13.586%	13.246%	13.244%
LEVERAGE RATIO						
Measurement of total leverage ratio exposure	18,360,954	18,360,954	18,360,954	17,847,708	17,847,708	17,847,708
Leverage ratio	4.80%	4.62%	4.66%	4.90%	4.80%	4.75%

The Group complies with the liquidity coverage ratio (LCR) requirement, placing itself well above the minimum level envisaged by the regulations. High quality liquid and available assets consist entirely of the most liquid type (Level 1) of assets eligible for the numerator of the LCR.

The Net Stable Funding Ratio (NSFR) is a liquidity indicator that measures the availability of stable funding; in fact, banks are required to maintain a certain amount of funding that is either stable or expiring beyond 12 months, which allows them to finance their activities in the long term.

3. Covid-19 disclosures

The disclosures required according to the EBA/GL/2020/07 formats are provided below with reference to the moratoriums granted and the new loans subject to public guarantee schemes in the context of Covid-19 as of 30 June 2022. With reference to table 1, the moratoriums still in place are now residual in amount compared with the "Covid-19" moratoriums originally granted. With reference to the loans in table 3, they consist of cash loans with a maximum duration of 10 years guaranteed by MCC and SACE for between 80% and 100% of the amount granted, depending on the characteristics of the borrower and the amount requested.

Table 1: Information on loans and advances subject to legislative and non-legislative moratoriums

	Gross carrying amount							Loss of recorded value, negative changes calculated at fair value due to credit risk							Gross carrying amount
	Performing exposures				Non-performing exposures			Performing exposures				Non-performing exposures			Inflows to impaired exposures
		Of which: Forborne loans	Of which: Instruments with significant increase in credit risk from initial recognition but not non-performing (Stage 2)		Of which: forbearance	Of which: Unlikely to pay or past-due <= 90 days		Of which: Forborne loans	Of which: Instruments with significant increase in credit risk from initial recognition but not non-performing (Stage 2)		Of which: Forborne loans	Of which: Unlikely to pay or past-due <= 90 days			
Loans and advances subject to a moratorium	12,019	10,902	3,850	7,478	1,117	945	836	804	586	259	575	219	185	107	
of which: Households	4,016	3,818	1,884	3,120	198	26	174	212	174	124	173	38	5	29	121
of which: Secured by residential property	3,708	3,587	1,789	2,948	121	24	121	175	162	122	161	13	3	13	121
of which: Non-financial companies	8,003	7,084	1,966	4,358	919	919	662	592	412	135	402	181	181	78	236
of which: Small and medium-sized enterprises	5,261	4,343	1,947	4,338	919	919	662	580	399	132	399	181	181	78	236
of which: Secured by commercial property	6,297	5,741	1,741	3,399	556	556	556	355	300	116	292	55	55	55	-

Table 2: Breakdown of loans and advances subject to legislative and non-legislative moratoriums by residual duration of the moratorium

	Number of debtors	Gross carrying amount	Residual maturity of the moratorium						
			Of which: legislative moratorium	Of which: past due					
					<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
Loans and advances for which a moratorium has been offered	13,369	1,821,077							
Loans and advances subject to a moratorium (granted)	13,369	1,821,077	1,177,912	1,809,058	3,817	1,266	2,894	1,240	2,801
of which: Households		664,630	340,953	660,614	1,483	1,164	981	227	162
<i>of which: Secured by residential property</i>		532,329	260,633	528,621	1,317	1,164	895	227	107
of which: Non-financial companies		1,144,902	830,874	1,136,900	2,335	102	1,913	1,014	2,639
<i>of which: Small and medium-sized enterprises</i>		969,060	731,509	963,799	1,955	102	1,893	1,014	297
<i>of which: Secured by commercial property</i>		570,723	430,210	564,426	1,009	61	1,871	1,014	2,342

Table 3: Information on next generation loans and advances provided under newly implemented public guarantee schemes introduced in response to the Covid-19 crisis

	Gross carrying amount		Maximum amount of collateral that can be considered	Gross carrying amount
		of which: Forborne	Public guarantees received	Inflows to impaired exposures
Newly established loans and advances subject to public guarantee schemes	2,341,812	14,353	1,875,868	7,559
of which: Households	176,324			-
<i>of which: Secured by residential property</i>	-			-
of which: Non-financial companies	2,159,381	14,122	1,708,841	7,132
<i>of which: Small and Medium Enterprises</i>	1,837,764			-
<i>of which: Secured by commercial property</i>	-			-

Attestation of the Financial Reporting Manager

The Financial Reporting Manager, Mauro Walter Colombo, declares pursuant to paragraph 2 of Article 154-bis of the Consolidated Finance Act that the accounting disclosures contained in this document entitled "Basel III Pillar 3 as at 30 June 2022" agree with the supporting documents, books of account and accounting records.

Financial Reporting Manager

Mauro Walter Colombo

Attestation on disclosure policies and obligations pursuant to Part eight, art. 431 paragraph 3 of the EU Regulation 575/2013 of 26 June 2013 and subsequent amendments and additions¹

The undersigned Alessandro Decio, Chief Executive Officer, and Mauro Walter Colombo, Financial Reporting Officer of Banco di Desio e della Brianza S.p.A. attest the following, taking into account the provisions of art. 431 of EU Regulation 575/2013 (CRR) and subsequent amendments and additions:

- the adequacy of the document "Basel III Pillar 3 as at 30 June 2022" with respect to what is required in "Part eight - Disclosures by institutions" of the CRR and
- the application of administrative procedures in preparing the public disclosures in accordance with the Bank's formal policy and with its processes, systems and internal controls.

Chief Executive Officer

Alessandro Decio

Financial Reporting Manager

Mauro Walter Colombo

¹ In this regard, note that to date no standard has been set for this type of attestation. Taking into account the fact that financial and reporting information constitute a preponderant part of the disclosures provided, the Bank has opted for a joint attestation by the Chief Executive Officer and the Financial Reporting Officer.