Banco Desio

PRESS RELEASE

BANCO DESIO: CONSOLIDATED RESULTS AT 30 SEPTEMBER 2022

Consolidated net profit for the third quarter of 2022 equal to Euro 64.0 million, an increase compared with the same period of 2021 (+15.2%) with an annualised ROE of 8.0% (+2.7 pts compared with Q3 2021)

Operating profit of Euro 151.5 million, an improvement on Q3 2021 (+12.9%) driven by the increase in revenues to Euro 350.6 million (+5.6%) and by the growth in volumes

Cost/income ratio at 60.8% in Q3 2022 (-2.7 pts vs Q3 2021)

Capital solidity and asset quality confirmed

Desio, 8 November 2022 – The Board of Directors of Banco di Desio e della Brianza S.p.A. has approved the "Consolidated Quarterly Financial Report at 30 September 2022". The following table summarises the main financial indicators for the period.

PROFITABILITY

- **Consolidated net profit** showing strong growth to **Euro 64.0 million** (+15.2%)
- **Increase in profitability (annualised ROE of 8.0%)** with stable operating costs and cost of risk under control
- **Result of operations is improving (+12.9%)** thanks to the growth in income **(+5.6%)**
- **Cost/income ratio** of **60.8%**
- **Net commission income +0.3%,** despite the negative market situation, thanks to the positive contribution made by asset management (+9.4% on individual portfolio management) and the resilience of revenues from payment services and bancassurance

GROWTH

- **Loans to ordinary customers** of **Euro 11.5 billion** (+3.2%) with additional disbursements to households and businesses in Q3 of Euro 1.5 billion.
- **Personal loans completely internalised** at Fides (subsidiary)
- **Ecobonus/Sismabonus Credits** purchased for approximately Euro 0.4 billion
- **Direct deposits** up to **Euro 12.9 billion** (+3.6%)[1]
- **Indirect deposits** of **Euro 15.9 billion** (-11.8%, of which ordinary customers down by -11.8%)

ASSET QUALITY

- **Low impact of non-performing loans:** Gross NPL ratio[2] of 3.9% (4.1% at 31 December 2021) and net of 2.0%
- **Strict loan assessment** and **solid levels of coverage** of non-performing loans at 50.7% and on performing loans at 0.89%
- **Liquidity under control** with an LCR indicator of 166.29%

CAPITAL SOLIDITY[3]

- Banco Desio Group's **capital solidity confirmed** with **CET1 of 15.01%**

Ratios[4]	Banco Desio Brianza	Banco Desio Group	Brianza Unione Group[5]
CET 1	16.05%	15.01%	11.15%
TIER 1	16.05%	15.01%	11.97%
Total Capital	16.05%	15.01%	13.04%

[1] Including repurchase agreements with institutional customers for Euro 749 million (Euro 208 million at 31 December 2021).

[2] Net of non-performing loans classified under "Assets held for sale".

[3] Based on the Bank of Italy's instructions sent to Banco di Desio e della Brianza S.p.A. and to the Parent Company Brianza Unione di Luigi Gavazzi e Stefano Lado S.A.p.A. on 18 May 2022, the following minimum capital requirements have been assigned to the Brianza Unione Group for CRR purposes, following completion of the Supervisory Review and Evaluation Process (SREP): CET1 ratio of 7.35%, binding - pursuant to art. 67-ter TUB - for 4.85% (minimum regulatory requirement of 4.50% and additional requirements of 0.35%) with the difference represented by the capital conservation buffer, Tier1 ratio of 9.00%, binding for 6.50% (minimum regulatory requirement of 6.00% and additional requirements of 0.50%) with the difference represented by the capital conservation buffer, and Total Capital Ratio of 11.15%, binding for 8.65% (minimum regulatory requirement of 8.00% and additional requirements of 0.65%) with the difference represented by the capital conservation buffer.

[4] In application of the transitional arrangements introduced by Regulation (EU) 2017/2395 of 12 December 2017 and subsequent amendments.

[5] The consolidated ratios at the level of Brianza Unione of Luigi Gavazzi e Stefano Lado S.A.p.A., the parent company that holds 50.41% of Banco di Desio e della Brianza S.p.A., were calculated on the basis of the provisions of articles 11, paragraphs 2 and 3 and 13, paragraph 2 of the Capital Requirements Regulation (CRR).

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The Board of Directors of Banco di Desio e della Brianza S.p.A., which met on 8 November 2022, has approved the "Consolidated Quarterly Financial Report at 30 September 2022" (also referred to as the "Report"), prepared on a voluntary basis.

This Report has also been prepared in order to determine the result for the period, so that own funds and prudential coefficients can be calculated.

As regards the criteria for recognition and measurement, this Report has been prepared by applying the IAS/IFRS in force at the reference date as reported below in the section entitled "Basis of preparation".

Please note the specific information provided to explain the underlying context in which this financial report was prepared, affected by the situation caused by the conflict between Russia and Ukraine, as well as the uncertainties and significant risks related to it that could have an impact, even a material impact, on the expected results, which depend on many factors that are beyond management's control.

The figures in the tables and schedules of the Report are expressed in thousands of Euro.

The accounting schedules of this Report are subject to a limited audit by KPMG S.p.A. for the inclusion of the interim result in own funds.

Impacts of the war in Ukraine

The conflict between Russia and Ukraine, which began at the end of February 2022, seems destined to continue over time, bringing with it negative political and economic consequences which constitute a significant element of uncertainty for future scenarios.

In this context, prices have taken off: especially in the Eurozone, the procurement cost of energy raw materials is showing an upward trend; the climate of uncertainty and pessimism increases the fears of households and businesses of possible rationing of raw materials and difficulties in being able to afford basic necessities.

The monitoring of customers with loans continues: from an analysis of positions, a limited deterioration of existing credit lines has emerged and risk management and containment steps have been taken on them. Monitoring of the positions indirectly most exposed constitutes one of the first drivers of attention in order to guarantee the best quality of the loan portfolio over time and, at the same time, to identify the best solutions to allow companies to continue in business.

In line with the action taken during Covid, the Bank has adopted the so-called Temporary Crisis Framework (TCF) which will allow SMEs to apply for access to loans guaranteed by the MCC Fund to face the liquidity needs related to the economic and financial turmoil caused by the ongoing conflict.

Banco Desio continues to be close to the Ukrainian population with a fundraising campaign called "BANCO DESIO FOR UKRAINE" aimed at customers and with a crowdfunding initiative called "#unitedforUkraine" involving internal resources (for each euro donated, the Bank will donate two).

Results of the period

Key figures and ratios

The alternative performance measures (APMs) shown in this Report have been chosen to help readers understand the results of the Banco Desio Group. APMs are not envisaged by international accounting standards. They represent additional information with respect to the measurements defined in the IAS/IFRS and are in no way a substitute for them.
The method of calculating each APM is provided and the figures used have been taken from the tables or from the reclassified financial statements contained in this Report.
These APMs are based on the guidelines of the European Securities and Markets Authority (ESMA) of 5 October 2015 (ESMA/2015/1415), incorporated in Consob Communication no. 0092543 of 3 December 2015. Following the instructions contained in the update of the document entitled "ESMA 32-51-370 - Questions and answers - ESMA Guidelines on Alternative Performance Measures (APMs)", published on 17 April 2020, no changes have been made to the APMs nor have new ad hoc measures been introduced to highlight separately the effects of the Covid-19 epidemic or the conflict in Ukraine.

Table 1 – Balance sheet

Amounts in thousands of Euro	30.09.2022	31.12.2021	Change amount	Change %
Total assets	18,646,846	17,804,781	842,065	4.7%
Financial assets	3,964,852	3,797,711	167,141	4.4%
Due from banks [1]	157,056	2,115,119	-1,958,063	-92.6%
Loans to customers [1]	11,483,706	11,127,757	355,949	3.2%
Property, plant and equipment [2]	221,517	218,420	3,097	1.4%
Intangible assets	18,947	19,119	-172	-0.9%
Non-current assets and disposal groups held for sale	6,971	13,080	-6,109	-46.7%
Due to banks	3,960,725	3,815,695	145,030	3.8%
Due to customers [3] [4]	11,362,793	10,926,600	436,193	4.0%
Debt securities in issue	1,531,527	1,522,265	9,262	0.6%
Shareholders' equity (including Net profit/loss for the period)	1,104,137	1,088,741	15,396	1.4%
Own funds	1,115,176	1,131,495	-16,319	-1.4%
Total indirect deposits	15,888,318	18,018,035	-2,129,717	-11.8%
of which: Indirect deposits from ordinary customers	*9,732,317*	*11,033,464*	*-1,301,147*	*-11.8%*
of which: Indirect deposits from institutional customers	*6,156,001*	*6,984,571*	*-828,570*	*-11.9%*

[1] based on Circular 262, the balance on this item includes debt securities held to collect (HTC) recognised at amortised cost, which in these summary figures are shown under financial assets; the balance does not include current accounts and demand deposits shown under Cash. At 30 September 2022, "Cash and cash equivalents" also includes the amount on demand of Euro 2,070 million relating to the liquidity in excess of the obligation to maintain the mandatory reserve, invested in overnight deposits and previously kept entirely in the Mandatory Reserve account and shown under "Loans and advances to banks".

[2] the balance of this item at 30 September 2022 includes the right of use ("RoU Assets") equal to Euro 54.8 million for operating lease contracts falling within the scope of application of IFRS 16 Leases, which came into effect on 1 January 2019.

[3] the balance does not include the liability for operating lease contracts falling within the scope of IFRS 16, which has been recognised in "Due to customers".

[4] Including repurchase agreements with institutional customers for Euro 749 million (Euro 208 million at 31 December 2021).

Table 2 – Income statement [5]

Amounts in thousands of Euro	30.09.2022	30.09.2021	Change amount	Change %
Operating income	350,573	332,074	18,499	5.6%
of which: Net interest income	*193,037*	*177,888*	*15,149*	*8.5%*
Operating costs	199,068	197,828	1,240	0.6%
Result of operations	151,505	134,246	17,259	12.9%
Charges relating to the banking system	14,194	12,968	1,226	9.5%
Net profit (loss) from operations after tax	64,660	49,466	15,194	30.7%
Non-recurring profit (loss) after tax	-691	6,078	-6,769	n.s.
Net profit (loss) for the period	63,969	55,544	8,425	15.2%

[5] from the reclassified income statement.

Table 3 – Key figures and ratios

	30.09.2022	31.12.2021	Change amount
Capital/Total assets	5.9%	6.1%	-0.2%
Capital/Loans to customers	9.6%	9.8%	-0.2%
Capital/Due to customers	9.7%	10.0%	-0.3%
Capital / Debt securities in issue	72.1%	71.5%	0.6%
Common Equity Tier 1 (CET 1)/Risk-weighted assets *(Common Equity Tier 1 ratio) (6) (7)*	15.0%	15.6%	-0.5%
Core Tier 1 capital (T1)/Risk-weighted assets (Tier 1 ratio) [6] [7]	15.0%	15.6%	-0.5%
Total Own Funds/Risk-weighted assets *(Total capital ratio)* [6] [7]	15.0%	15.7%	-0.6%
Financial assets / Total assets	21.3%	21.3%	0.0%
Due from banks / Total assets [8]	0.8%	11.9%	-11.1%
Loans to customers / Total assets	61.6%	62.5%	-0.9%
Loans to customers / Direct customer deposits	89.1%	89.4%	-0.3%
Due to banks / Total assets	21.2%	21.4%	-0.2%
Due to customers / Total assets	60.9%	61.4%	-0.5%
Debt securities in issue / Total assets	8.2%	8.5%	-0.3%
Direct customer deposits / Total assets	69.2%	69.9%	-0.7%
	30.09.2022	**30.09.2021**	**Change amount**
Cost/Income ratio	56.8%	59.6%	-2.8%
(Operating costs + Charges relating to the banking system) / Operating income (Cost/Income ratio)	60.8%	63.5%	-2.7%
Net interest income / Operating income	55.1%	53.6%	1.5%
Result of operations / Operating income	43.2%	40.4%	2.8%
Profit (loss) from continuing operations after tax/Capital - annualised [9][10]	8.1%	5.2%	2.9%
ROE [9] - annualised [10] [11]	8.0%	5.3%	2.7%
Profit (loss) from operations before tax/Total assets (ROA) - annualised [10]	0.7%	0.5%	0.2%
	30.09.2022	**31.12.2021**	**Change amount**
Net bad loans / Loans to customers	0.7%	0.8%	-0.1%
Net non-performing loans / Loans to customers	2.0%	2.1%	-0.1%
% Coverage of bad loans	65.6%	63.3%	2.3%
% Coverage of bad loans, gross of write-offs	66.5%	64.3%	2.2%
% Total coverage of non-performing loans	50.7%	50.8%	-0.1%
% Coverage of non-performing loans, gross of write-offs	51.3%	51.5%	-0.2%
% Coverage of performing loans	0.89%	0.94%	-0.05%

Table 4 – Structure and productivity ratios

	30.09.2022	31.12.2021	Change amount	%
Number of employees	2,115	2,141	-26	-1.2%
Number of branches	232	232	0	0.0%
Amounts in thousands of Euro				
Loans and advances to customers per employee [12]	5,396	5,152	244	4.7%
Direct deposits from customers per employee [12]	6,059	5,763	296	5.1%
	30.09.2022	**30.09.2021**	**Change amount**	**%**
Operating income per employee [12] - annualised [10]	218	212	6	2.8%
Result of operations per employee (12) - annualised [10]	94	88	6	6.8%

[6] Consolidated capital ratios for Banco Desio. The ratios for the scope of consolidation for regulatory purposes at Brianza Unione level at 30 September 2022 are: Common Equity Tier1 11.2%; Tier 1 12.0%; Total Capital Ratio 13.0%.

[7] Capital ratios at 30.09.2022 are calculated in application of the transitional arrangements introduced by EU Regulation 2017/2395; the ratios calculated without application of these arrangements are the following: Common Equity Tier 1 14.5%; Tier 1 14.5%; Total capital ratio 14.5%.

[8] At 30.09.2021, the caption "Loans and advances to banks" included the amount relating to the liquidity in excess of the obligation to maintain the Mandatory Reserve, invested in overnight deposits at 30.09.2022 and therefore shown under "Cash and cash equivalents" at the reporting date.

[9] net of the result for the period.

[10] the amount reported at 30.09.2021 is the final figure at the end of 2021.

[11] the annualised ROE at 30.09.2022 does not take into consideration the annualisation of the Net non-recurring operating profit.

[12] based on the number of employees calculated as a straight average between the end of the period and the end of the preceding period.

Consolidated income statement

The profit for the period is up by around Euro 8.4 million (+15.2%) compared with Q3 2021, having benefited from the positive trend in operations (+12.9%) a lower cost of credit (-17.7%) offset by a negative non-recurring result of Euro 0.7 million (positive for Euro 6.1 million in the comparative period).

Table 5 – Reclassified consolidated income statement

Captions				Change	
Amounts in thousands of Euro		**30.09.2022**	**30.09.2021**	**Amount**	**%**
10+20	Net interest income	193,037	177,888	15,149	8.5%
70	Dividends and similar income	559	519	40	7.7%
40+50	Net commission income	145,371	144,890	481	0.3%
80+90+100 +110	Net result of financial assets and liabilities	9,568	7,394	2,174	29.4%
230	Other operating income/charges	2,038	1,383	655	47.3%
	Operating income	**350,573**	**332,074**	**18,499**	**5.6%**
190 a	Payroll costs	-129,101	-129,925	824	-0.6%
190 b	Other administrative costs	-62,461	-60,764	-1,697	2.8%
210+220	Net adjustments to property, plant and equipment and intangible assets	-7,506	-7,139	-367	5.1%
	Operating costs	**-199,068**	**-197,828**	**-1,240**	**0.6%**
	Result of operations	**151,505**	**134,246**	**17,259**	**12.9%**
130a+100a	Cost of credit	-36,495	-44,323	7,828	-17.7%
130 b	Net adjustments to securities owned	-2,782	-396	-2,386	602.5%
140	Profit/losses from contractual changes without write-offs	-45	-42	-3	7.1%
200 a	Net provisions for risks and charges - commitments and guarantees given	119	383	-264	-68.9%
200 b	Net provisions for risks and charges - other	-1,198	-3,042	1,844	-60.6%
	Charges relating to the banking system	-14,194	-12,968	-1,226	9.5%
	Profit (loss) from equity investments	-5	0	-5	n.s.
	Profit (loss) from continuing operations before tax	**96,905**	**73,858**	**23,047**	**31.2%**
300	Income taxes on continuing operations	-32,245	-24,392	-7,853	32.2%
	Net profit (loss) from operations after tax	**64,660**	**49,466**	**15,194**	**30.7%**
	Provisions for risks and charges, other provisions, one-off expenses and revenue	-3,344	-4,507	1,163	-25.8%
	Non-recurring result before tax	**-3,344**	**-4,507**	**1,163**	**-25.8%**
	Income taxes from non-recurring items	2,653	10,585	-7,932	-74.9%
	Non-recurring profit (loss) after tax	**-691**	**6,078**	**-6,769**	**n.s.**
330	**Net profit (loss) for the period**	**63,969**	**55,544**	**8,425**	**15.2%**
340	Minority interests	0	0		
350	**Profit (Loss) for the period pertaining to the Parent Company**	**63,969**	**55,544**	**8,425**	**15.2%**

The main cost and revenue items in the reclassified income statement are analysed below, with comments, where necessary, on situations where it is not possible to make a straight comparison because the accounting treatment is inconsistent.

Operating income

Core revenues increased by about Euro 18.5 million with respect to the comparative period (+5.6%), amounting to Euro 350.6 million. The trend is mainly attributable to the growth in net interest income for Euro 15.1 million (+8.5%), the net result of financial assets and liabilities for Euro 2.2 million (+29.4%), the other operating income and expenses for Euro 0.7 million (+47.3%) and net commissions for Euro 0.5 million (+0.3%).

Lastly, dividends come to Euro 0.6 million, in line with the comparative period.

Operating costs

Operating costs, which include payroll costs, other administrative expenses and net adjustments to property, plant and equipment and intangible assets come to around Euro 199.1 million, in line with the comparative period (+0.6%).

Other administrative costs and the balance of net adjustments to property, plant and equipment and intangible assets have increased compared with the prior period (by 2.8% and 5.1% respectively), whereas personnel costs have decreased by Euro 0.8 million (-0.6%).

Result of operations

The *result of operations* amounts to Euro 151.5 million, up on the comparative period (+12.9%) due to the matters mentioned above.

Profit (loss) from operations after tax

The *result of operations* of Euro 151.5 million leads to a *net profit (loss) from operations after tax* of Euro 64.7 million, 30.7% up on the Euro 49.5 million in the comparative period, mainly because of:

- the *cost of credit* (*net impairment adjustments to financial assets measured at amortised cost plus gains (losses) on disposal or repurchase of loans*) of Euro 36.5 million (vs Euro 44.3 million in the third quarter of the previous year);
- *net adjustments to proprietary securities* negative for Euro 2.8 million (negative for Euro 0.4 million in the comparative period);
- *net provisions for risks and charges* negative for Euro 1.1 million (vs Euro 2.7 million negative in the comparative period);
- *charges relating to the banking system* of Euro 14.2 million (vs Euro 13.0 million in the comparative period);
- *income taxes on continuing operations* of Euro 32.2 million (vs Euro 24.4 million in the comparative period).

Result of non-recurring items after tax

At 30 September 2022 there was a negative non-recurring operating result of approximately Euro 0.7 million (positive for Euro 6.1 million in the comparative period) due to:

- the revenue component of Euro 1.8 million[6], as a net result of:
  - Euro 9.3 million (positive) for the release of the provision recognised last year with reference to a package of tax credits purchased from third parties and subject to confiscation;
  - Euro 7.5 million (negative) as a precautionary charge recognised following the sentence that did not accept the request for the release of these tax credits.
- an estimate of the charge of approximately Euro 3.6 million for the additional contribution to the Deposit Guarantee Scheme that will be requested by the FITD in December;
- of the cost component of Euro 1.5 million for charges connected with the agreement signed with BPER Banca S.p.A. for the purchase of two Business Units consisting of a total of 48 bank branches (the so-called "Lanternina" Project")

net of the tax effect, which was positive for Euro 2.7 million. *Income taxes on non-recurring items* also include the positive effect on the income statement recognised in February for Euro 1.5 million in connections with the refund request presented to the Revenue Agency (2014 IRAP for the business unit transferred by Banco Desio to the former subsidiary Banca Popolare di Spoleto).

In the comparative period, the *Result of non-recurring items after tax* included:

- the Euro 1 million of costs connected with the sale of the investment in Cedacri S.p.A.,
- the Euro 2.2 million charge for the extraordinary contribution to the SRM requested by the national resolution authority in June 2021,
- an estimate of the charge of approximately Euro 2.2 million for the additional contribution to the Deposit Guarantee Scheme that will be requested by the FITD in December,
- the revenue of approximately Euro 0.9 million recognised to adjust the liability recorded in 2020 for access to the "Income support solidarity fund" following negotiations with all of the resources previously identified,

[6] For further details, please refer to the paragraph entitled "Tax credits purchased from a financial intermediary" in the section below called "Frame of reference".

net of the tax effect which was positive for Euro 1.2 million. *Income taxes from non-recurring items* also included the positive effect on the income statement of Euro 9.4 million deriving from the realignment of goodwill and properties (so-called "step-up") in accordance with art. 110, para. 8 and para. 8-bis, of Legislative Decree 104/2020 (the "August Decree"), which made it possible to realign fiscal values to the higher statutory carrying amounts of operating assets by subjecting the difference to a flat-rate substitute tax of 3%.

Net profit (loss) for the period

The sum of *profit from continuing* and *non-recurring operations* leads to a net profit for the period that at 30 September 2022 amounts to Euro 64.0 million, up by 15.2% compared with the same period of the previous year.

Captions		As per financial statements	Reclassifications										Reclassified income statement
	Amounts in thousands of Euro	30.09.2022	Measurement effects on non-performing loans	Fides brokerage commission	Tax/expense recoveries	Expected loss on securities at amortised cost	Amortisation of leasehold improvements	Gains (Losses) on disposal or repurchase of loans	Provisions for risks and charges/othe r provisions, one-off expenses and	System charges	Reclassifications IFRS16 - Leases	Income taxes	30.09.2022
10+20	Net interest income	199,953	-3,179	-4,238					0		501		193,037
70	Dividends and similar income	559											559
40+50	Net commission income	141,133		4,238									145,371
80+90+100 +110	Net result of financial assets and liabilities	2,433						7,135	0				9,568
230	Other operating income/charges	25,920			-23,150		1,060		-1,792				2,038
	Operating income	**369,998**	**-3,179**	**0**	**-23,150**	**0**	**1,060**	**7,135**	**-1,792**	**0**	**501**	**0**	**350,573**
190 a	Payroll costs	-129,114							13				-129,101
190 b	Other administrative costs	-97,234			23,150				1,504	17,813	-7,694		-62,461
210+220	Net adjustments to property, plant and equipment and intangible assets	-13,639					-1,060				7,193		-7,506
	Operating costs	**-239,987**	**0**	**0**	**23,150**	**0**	**-1,060**	**0**	**1,517**	**17,813**	**-501**	**0**	**-199,068**
	Result of operations	**130,011**	**-3,179**	**0**	**0**	**0**	**0**	**7,135**	**-275**	**17,813**	**0**	**0**	**151,505**
130a+100a	Cost of credit	-34,098	3,179			2,633		-7,135	-1,074				-36,495
130 b	Net adjustments to securities owned	-149				-2,633							-2,782
140	Profit/losses from contractual changes without write-offs	-45											-45
200 a	Net provisions for risks and charges - commitments and guarantees given	119											119
200 b	Net provisions for risks and charges - other	-2,272							1,074				-1,198
	Charges relating to the banking system									-14,194			-14,194
250	Profit (loss) from equity investments	-5											-5
	Profit (loss) from continuing operations before tax	**93,561**	**0**	**0**	**0**	**0**	**0**	**0**	**-275**	**3,619**	**0**	**0**	**96,905**
300	Income taxes on continuing operations	-29,592										-2,653	-32,245
	Profit (loss) from continuing operations after tax	**63,969**	**0**	**0**	**0**	**0**	**0**	**0**	**-275**	**3,619**	**0**	**-2,653**	**64,660**
260	Fair value adjustment of property, plant and equipment and intangible assets	0				0							0
	Provisions for risks and charges, other provisions, one-off expenses and revenue		0			0			275	-3,619			-3,344
	Non-recurring result before tax	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**275**	**-3,619**	**0**	**0**	**-3,344**
	Income taxes from non-recurring items											2,653	2,653
	Non-recurring profit (loss) after tax	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**275**	**-3,619**	**0**	**2,653**	**-691**
330	**Net profit (loss) for the period**	**63,969**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**63,969**
340	Minority interests	0											0
350	**Profit (Loss) for the period pertaining to the Parent Company**	**63,969**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**63,969**

Banco Desio

Consolidated financial position

Deposits

Total customer funds under management at 30 September 2022 reached Euro 28.8 billion, a slight decrease with respect to the 2021 year end balance (-5.5%).

Direct deposits at 31 September 2022 amounted to Euro 12.9 billion, up by 3.6% compared with 31 December 2021, mainly due to the increase in amounts due to customers (+4.0%) characterised by greater recourse to repurchase agreements for deposits with institutional customers (Euro 0.7 billion compared with Euro 0.2 billion in the comparative period).

Indirect deposits totalled Euro 15.9 billion (-11.8%). Funding from ordinary customers amounted to Euro 9.7 billion, down by 11.8% compared with the end of the previous year, due to the performance of the managed sector (-12.1%) and assets under administration (-11.0%), brought conditioned by the negative market effect of the period.

The following tables show the trend in deposits during the reporting period and the breakdown of indirect deposits.

Table 7 – Customer deposits

Amounts in thousands of Euro	**30.09.2022**	**%**	**31.12.2021**	**%**	**Change Amount**	**Change %**
Due to customers [1]	11,362,793	39.5%	10,926,600	35.9%	436,193	4.0%
Debt securities in issue	1,531,527	5.3%	1,522,265	5.0%	9,262	0.6%
Direct deposits	**12,894,320**	**44.8%**	**12,448,865**	**40.9%**	**445,455**	**3.6%**
Deposits from ordinary customers	9,732,317	33.8%	11,033,464	36.2%	-1,301,147	-11.8%
Deposits from institutional customers	6,156,001	21.4%	6,984,571	22.9%	-828,570	-11.9%
Indirect deposits	**15,888,318**	**55.2%**	**18,018,035**	**59.1%**	**-2,129,717**	**-11.8%**
Total Customer deposits	**28,782,638**	**100.0%**	**30,466,900**	**100.0%**	**-1,684,262**	**-5.5%**

[1] Including repurchase agreements with institutional customers for Euro 749 million (Euro 208 million at 31 December 2021)

Table 8 – Indirect deposits from customers

Amounts in thousands of Euro	**30.09.2022**	**%**	**31.12.2021**	**%**	**Change Amount**	**Change %**
Assets under administration	**2,851,191**	**17.9%**	**3,203,624**	**17.8%**	**-352,433**	**-11.0%**
Assets under management	**6,881,126**	**43.4%**	**7,829,840**	**43.4%**	**-948,714**	**-12.1%**
of which: UCITS and Sicavs	*3,157,110*	*19.9%*	*4,006,993*	*22.2%*	*-849,883*	*-21.2%*
Managed portfolios	*1,113,302*	*7.0%*	*1,185,845*	*6.6%*	*-72,543*	*-6.1%*
Bancassurance	*2,610,714*	*16.5%*	*2,637,002*	*14.6%*	*-26,288*	*-1.0%*
Deposits from ordinary customers	**9,732,317**	**61.3%**	**11,033,464**	**61.2%**	**-1,301,147**	**-11.8%**
Deposits from institutional customers [1]	**6,156,001**	**38.7%**	**6,984,571**	**38.8%**	**-828,570**	**-11.9%**
Indirect deposits[1]	**15,888,318**	**100.0%**	**18,018,035**	**100.0%**	**-2,129,717**	**-11.8%**

(1) institutional customer deposits include securities of the Bancassurance segment of ordinary customers for Euro 2.1 billion (Euro 2.5 billion at 31.12.2021).

The Finance Department is continuing to monitor the levels of operational and overall liquidity, the trend in deposits and the imbalance between direct deposits and loans. There are no signs of any particular situations of tension. The Risk Management Department has in turn confirmed its level of attention in monitoring the trend in liquidity, with particular reference to the RAF indicators, in relation to the limits established in the risk policy.

From the in-depth analyses carried out on investments held by customers (securities, funds, managed portfolios, etc.) relating to issuers based in Russia, Belarus and Ukraine, or in any case having the rouble as their currency of issue, no significant risk profiles have emerged to date, it being understood that these investment products will monitored continuously in the coming months.

Loans and coverage

The total value of loans to ordinary customers at 30 September 2022 comes to Euro 11.5 billion, an increase of 3.2% compared with the end of 2021.

The following table gives a breakdown of loans to customers by type at 30 September 2022 (compared with 31 December 2021).

Table 9 – Breakdown of loans to customers

					Change	
Amounts in thousands of Euro	**30.09.2022**	**%**	**31.12.2021**	**%**	**Amount**	**%**
Current accounts	1,008,750	8.8%	953,372	8.6%	55,378	5.8%
Mortgages and other long-term loans	9,460,378	82.4%	9,266,510	83.3%	193,868	2.1%
Other	1,014,578	8.8%	907,875	8.1%	106,703	11.8%
Loans to customers	**11,483,706**	**100.0%**	**11,127,757**	**100.0%**	**355,949**	**3.2%**
- of which non-performing loans	*224,714*	*2.0%*	*233,728*	*2.1%*	*-9,014*	*-3.9%*
- of which performing loans	*11,258,992*	*98.0%*	*10,894,029*	*97.9%*	*364,963*	*3.4%*

The Credit Department, with the support of the Risk Management Department, has continued to implement the initiatives to provide real financial support to households and businesses. The Bank has also adopted specific control measures in order to analyse the trend of the loan portfolio in relation to the negative impacts deriving from the Covid-19 health emergency and the war in Ukraine.

With reference to the possible repercussions on the quality of the loan portfolio deriving from the conflict between Russia and Ukraine, as already mentioned in the section entitled "*Impacts of the war in Ukraine*" of this document, direct exposure on the part of the Bank and its customers appears to be very limited; an internal analysis on the overall portfolio by the Credit Department and the Commercial Department continued to collect information to map the relevant elements of customers' business and identify the degree of direct or indirect dependence on Russia, Belarus and Ukraine.

In consideration of what has emerged from the analyses carried out to date and taking into account the latest calibration and refinement interventions of the collective calculation models adopted for the financial statements at 31 December 2021, the assumptions underlying the collective calculation for this quarterly financial report at 30 September 2022 were not changed as they were considered sufficiently prudent; however, changes were made to the management overlay interventions, as explained in the section entitled "Information on risks and related hedging policies" of the interim financial report at 30 June 2022.

The main indicators for performing and non-performing loans are reported below.

Table 10 – Credit quality at 30 September 2022

Amounts in thousands of Euro	30.09.2022					
	Gross exposure	**% of total loans and receivables**	**Write-downs**	**Coverage ratio**	**Net exposure**	**% of total loans and receivables**
Bad loans	239,993	2.0%	(157,544)	65.6%	82,449	0.7%
Unlikely to pay loans	203,909	1.7%	(72,024)	35.3%	131,885	1.1%
Past due non-performing loans	11,610	0.2%	(1,230)	10.6%	10,380	0.2%
Total non-performing loans	**455,512**	**3.9%**	**(230,798)**	**50.7%**	**224,714**	**2.0%**
Exposures in stage 1	9,446,797	80.0%	(18,614)	0.20%	9,428,183	82.1%
Exposures in stage 2	1,913,380	16.1%	(82,571)	4.32%	1,830,809	15.9%
Performing exposures	**11,360,177**	**96.1%**	**(101,185)**	**0.89%**	**11,258,992**	**98.0%**
Total loans to customers	**11,815,689**	**100.0%**	**(331,983)**	**2.8%**	**11,483,706**	**100.0%**

Table 10-bis – Credit quality at 31 December 2021

Amounts in thousands of Euro	31.12.2021					
	Gross exposure	**% of total loans and receivables**	**Write-downs**	**Coverage ratio**	**Net exposure**	**% of total loans and receivables**
Bad loans	257,592	2.2%	(163,098)	63.3%	94,494	0.8%
Unlikely to pay loans	211,794	1.9%	(77,855)	36.8%	133,939	1.3%
Past due non-performing loans	5,696	0.0%	(401)	7.0%	5,295	0.0%
Total non-performing loans	**475,082**	**4.1%**	**(241,354)**	**50.8%**	**233,728**	**2.1%**
Exposures in stage 1	9,164,565	79.9%	(18,344)	0.20%	9,146,221	82.2%
Exposures in stage 2	1,832,402	16.0%	(84,594)	4.62%	1,747,808	15.7%
Performing exposures	**10,996,967**	**95.9%**	**(102,938)**	**0.94%**	**10,894,029**	**97.9%**
Total loans to customers	**11,472,049**	**100.0%**	**(344,292)**	**3.0%**	**11,127,757**	**100.0%**

Securities portfolio and the net interbank position

At 30 September 2022, the Bank's total *financial assets* amounted to Euro 4.0 billion, an increase of 4.4% compared with the end of the previous year. With reference to the issuers of securities, the total portfolio at 30 September 2022 relates for 73.4% to government securities, 11.4% to securities issued by banks and the remainder to other issuers.

The following table contains the disclosure relating to sovereign risk, i.e. bonds issued by central and local governments and government bodies, as well as any loans granted to them, made up entirely of Italian government bonds.

Table 11 – Exposure in sovereign debt securities

Amounts in thousands of Euro		Italy	Spain	UK	30.09.2022 Nominal value	30.09.2022 Book value
Financial assets at fair value through other comprehensive income	up to 1 year	-	-	-	-	-
	from 1 to 3 years	530,000	-	566	530,566	514,261
	from 3 to 5 years	-	-	-	-	-
	over 5 years	281,000	-	-	281,000	242,104
	Total	811,000	-	566	811,566	756,365
Financial assets at amortised cost	up to 1 year	362,500	-	-	362,500	363,751
	from 1 to 3 years	575,000	-	-	575,000	577,705
	from 3 to 5 years	235,000	-	-	235,000	235,499
	over 5 years	944,790	65,000	-	1,009,790	977,850
	Total	2,117,290	65,000	-	2,182,290	2,154,805
Sovereign debt	**up to 1 year**	**362,500**	**-**	**-**	**362,500**	**363,751**
	from 1 to 3 years	**1,105,000**	**-**	**566**	**1,105,566**	**1,091,967**
	from 3 to 5 years	**235,000**	**-**	**-**	**235,000**	**235,499**
	over 5 years	**1,225,790**	**65,000**	**-**	**1,290,790**	**1,219,954**
	Total	**2,928,290**	**65,000**	**566**	**2,993,856**	**2,911,170**

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

Net interbank borrowing of Euro 3.8 billion compares with Euro 1.7 billion at the end of the previous year.

Capital and capital adequacy ratios

Shareholders' equity pertaining to the Parent Company Banco Desio at 30 September 2022, including the result for the period, amounts to Euro 1,104.1 million, compared with Euro 1,088.7 million at the end of 2021. The positive change of Euro 15.4 million is due to the comprehensive income of the period.

On 25 January 2018, the Board of Directors of the Bank resolved to adopt the transitional arrangements introduced by Regulation (EU) 2017/2395 of 12 December 2017, aimed at mitigating the impact of IFRS 9 on own funds and capital ratios.

At the board meeting on 30 July 2020, the Directors also decided 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).

The calculation of own funds and of the consolidated prudential requirements, which are transmitted to the Bank of Italy in relation to the prudential supervisory reports (COREP) and statistical reports (FINREP), is made with reference to Brianza Unione di Luigi Gavazzi e Stefano Lado S.A.p.A. as it is the financial parent company of the banking group according to European legislation. This section therefore presents the results of this calculation, based on the regulatory scope of consolidation, by Brianza Unione di Luigi Gavazzi e Stefano Lado S.A.p.A. (the financial parent company).

The *Consolidated Own Funds* calculated by the financial parent company Brianza Unione amount to Euro 968.3 million (CET1 + AT1 of Euro 889.1 million + T2 of Euro 79.2 million), compared with Euro 973.0 million at the end of the previous year. The following table shows the consolidated regulatory requirements of the financial parent company calculated with and without applying the transitional arrangements.

Table 12 – Own funds and consolidated ratios of the financial Parent Company Brianza Unione with and without application of the transitional regime

	30.09.2022		
	Applicazione regime transitorio	Senza regime transitorio IFRS9	Fully loaded
FONDI PROPRI			
Capitale primario dii classe 1 (Common Equity Tier 1 - CET1)	828,329		
Capitale primario dii classe 1 (Common Equity Tier 1 - CET1) senza applicazione delle disposizioni transitorie		801,745	794,805
Capitale di Classe 1 (Tier 1 capital)	889,103		
Capitale di Classe 1 (Tier 1 capital) senza applicazione delle disposizioni transitorie		861,979	855,039
Total fondi propri	968,292		
Total fondi propri senza applicazione delle disposizioni transitorie		939,992	932,386
ATTIVITA' DI RISCHIO			
Attività di rischio ponderate	7,425,821		
Attività di rischio ponderate senza applicazione delle disposizioni transitorie		7,359,967	7,359,967
COEFFICIENTI DI VIGILANZA			
Capitale primario di classe 1/Attività di rischio ponderate (CET1 capital ratio)	11.155%		
Capitale primario di classe 1/Attività di rischio ponderate (CET1 capital ratio) senza applicazione delle disposizioni transitorie		10.893%	10.799%
Capitale di classe 1/Attività di rischio ponderate (Tier 1 capital ratio)	11.973%		
Capitale di classe 1/Attività di rischio ponderate (Tier 1 capital ratio) senza applicazione delle disposizioni transitorie		11.712%	11.617%
Totale fondi propri/Attività di rischio ponderate (Total capital ratio)	13.040%		
Totale fondi propri/Attività di rischio ponderate (Total capital ratio) senza applicazione delle disposizioni transitorie		12.772%	12.668%

At 30 September 2022, the Common Equity Tier 1 ratio (CET1/Risk-weighted assets) was 11.2% (11.6% at 31 December 2021). The Tier 1 ratio (T1/Risk-weighted assets) comes to 12.0% (12.4% at 31 December 2021), while the Total capital ratio (Total own funds/Risk-weighted assets) is 13.0% (13.5% at 31 December 2021).

Consolidated Own Funds calculated at the Banco Desio Group level, after the expected pay out of 40%, amount to Euro 1,115.2 million, entirely attributable to CET1 + AT1, compared with Euro 1,131.5 million at the end of the previous year. The table below therefore shows the composition of own funds and capital ratios calculated with and without application of the transitional arrangements.

Table 12 bis – Own funds and consolidated ratios of the Banco Desio Group with and without application of the transitional regime

	30.09.2022		
	Applicazione regime transitorio	**Senza regime transitorio IFRS9**	**Fully Loaded**
FONDI PROPRI			
Capitale primario dii classe 1 (Common Equity Tier 1 - CET1)	1,115,176		
Capitale primario dii classe 1 (Common Equity Tier 1 - CET1) senza applicazione delle disposizioni transitorie		*1,067,242*	*1,053,527*
Capitale di Classe 1 (Tier 1 capital)	1,115,176		
Capitale di Classe 1 (Tier 1 capital) senza applicazione delle disposizioni transitorie		*1,067,242*	*1,053,527*
Total fondi propri	1,115,176		
Total fondi propri senza applicazione delle disposizioni transitorie		*1,067,242*	*1,053,527*
ATTIVITA' DI RISCHIO			
Attività di rischio ponderate	7,427,709		
Attività di rischio ponderate senza applicazione delle disposizioni transitorie		*7,361,855*	*7,361,855*
COEFFICIENTI DI VIGILANZA			
Capitale primario di classe 1/Attività di rischio ponderate (CET1 capital ratio)	15.014%		
Capitale primario di classe 1/Attività di rischio ponderate (CET1 capital ratio) senza applicazione delle disposizioni transitorie		*14.497%*	*14.311%*
Capitale di classe 1/Attività di rischio ponderate (Tier 1 capital ratio)	15.014%		
Capitale di classe 1/Attività di rischio ponderate (Tier 1 capital ratio) senza applicazione delle disposizioni transitorie		*14.497%*	*14.311%*
Totale fondi propri/Attività di rischio ponderate (Total capital ratio)	15.014%		
Totale fondi propri/Attività di rischio ponderate (Total capital ratio) senza applicazione delle disposizioni transitorie		*14.497%*	*14.311%*

At 30 September 2022, the Common Equity Tier 1 ratio (CET1/Risk-weighted assets) was 15.0% (15.6% at 31 December 2021). The Tier 1 ratio (T1/Risk-weighted assets) comes to 15.0% (15.6% at 31 December 2021). The Tier 1 ratio, made up of total Tier 1 capital (T1) as a proportion of Risk-weighted assets, and the Total capital ratio, made up of total Own Funds as a proportion of Risk-weighted assets, also come to 15.0% (15.6% and 15.7% respectively at 31 December 2021).

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 parent 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:

- ***7.35% for the Common Equity Tier 1 ratio***, binding to the extent of 4.85% (of which 4.50% for the minimum regulatory requirements and 0.35% for additional requirements 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.

Performance of consolidated companies

Performance of the Parent Company Banco di Desio e della Brianza S.p.A.

The profit for the period is up by approximately Euro 13.8 million (+25.0%) having benefited from the positive trend in operations (+14.6%) and lower cost of credit (-19.3%), offset by a negative non-recurring result of Euro 0.7 million (positive for Euro 6.1 million in the comparative period).

Core revenues increased by about Euro 18.9 million with respect to the comparative period (+5.9%), coming in at Euro 340.1 million. The trend is attributable to the growth in net interest income of Euro 12.8 million (+7.8%), net commissions of Euro 3.3 million (+2.2%), the net result of financial assets and liabilities of Euro 2.2 million (+29.4%) and other operating income and expenses with a positive balance of Euro 2.0 million (in the comparative period the balance was positive for Euro 1.5 million).

Also included are dividends from equity investments in subsidiaries for Euro 5.5 million (vs Euro 2.2 million), the cost of credit which comes to Euro 35.5 million (vs Euro 44.0 million), the balance of net adjustments to securities owned which is negative for Euro 2.8 million (vs negative adjustments for Euro 0.4 million), the negative balance of net provisions for risks and charges of Euro 1.2 million (vs charges of Euro 2.5 million), the increase in charges relating to the banking system of Euro 1.2 million and higher income taxes on continuing operations of Euro 7.7 million.

Total loans to customers amount to Euro 11.4 billion, an increase of 3.2% compared with the end of 2021.

Shareholders' equity, including net profit for the period, amounts to Euro 1,098.3 million, compared with Euro 1,078.2 million at the end of 2021. The positive change of Euro 20.1 million is due to the trend in other comprehensive income for the period. Shareholders' equity calculated in accordance with the regulatory provisions and defined as Own Funds, after the expected pay-out of 40%, amounts to Euro 1,118.7 million, entirely attributable to CET1 + AT1, compared with Euro 1,127.1 million at the end of the previous year.

At 30 September 2022, the Common Equity Tier 1 (CET1/Risk-weighted assets) was 16.05% (16.51% at 31 December 2021). The Tier 1 ratio, made up of total Tier 1 capital (T1) as a proportion of Risk-weighted assets, and the Total capital ratio, made up of total Own Funds as a proportion of Risk-weighted assets, also come to 16.05% (16.51% and 16.57% respectively at 31 December 2021).

Performance of the subsidiary Fides S.p.A.

At the reference date, the Parent Company Banco di Desio e della Brianza S.p.A. held an investment of 100%.

The Profit (loss) from continuing operations after tax comes to Euro 4.3 million, compared with the prior period figure of Euro 4.0 million; operating income amounts to Euro 13.9 million (vs Euro 12.1 million), operating costs Euro 6.8 million (vs Euro 5.8 million) and the operating result of Euro 7.1 million (vs Euro 6.3 million). The cost of credit of Euro 1.0 million (vs Euro 0.3 million) and income taxes of Euro 2.1 million (vs Euro 2.0 million) lead to the result for the period.

Loans to customers increased from Euro 921.9 million at the end of 2021 to Euro 1,030.5 million at the reporting date, an increase of Euro 108.6 million (+11.8%).

Book shareholders' equity at 30 September 2022, including net profit for the period, amounts to Euro 52.4 million, compared with Euro 53.6 million at the end of 2021 (due to the dividend distribution, partly offset by the result for the period). Own funds for supervisory purposes have risen from Euro 47.4 million at the end of 2021 to Euro 48.6 million.

The war in Ukraine does not appear to have any direct impact on Fides' loan portfolio; however, the consumer credit market, as the entire economic and productive fabric in general, are indirectly affected by the negative effects generated by the Ukraine-Russia conflict, including, above all, the increase in energy costs.

Tax credits purchased from a financial intermediary

While reaffirming the legitimacy of offsetting the confiscated credits by virtue of the provisions regarding the rights of transferees in good faith, the Bank prudently made a charge of Euro 9.3 million in the 2021 accounts in consideration of the fact that the legislation at the time required one-fifth of the tax credits that were confiscated to be offset by the end of 2022. This provision was in no way an assessment of the existence and worthiness of the credits that the Bank would have defended in all appropriate courts of law, as it is now doing.

Changes in the rules at 31 March 2022[7] compared with the date of approval of the 2021 financial statements (i.e. the Board of Directors meeting on 10 February 2022) made it possible to reconsider the provision of Euro 9.3 million recognised at the end of the previous year to reflect the probable inability to offset the first one-fifth of the "Superbonus" tax credits purchased from a financial intermediary, which in January 2022 were confiscated. The Bank was therefore able to release this amount recorded in "Other operating charges/income".

On 22 September, Banco Desio received news of the sentences with which the Supreme Court rejected the appeals presented by the assigning institutes against the orders of the Investigating Magistrate (GIP), confirming the preventive confiscations of tax credits ordered by the Court of Naples (including the Euro 46.5 million purchased by the Bank). Banco Desio was informed of the Supreme Court's rationale at the end of October, at which point further analysis of the situation began. The investigations launched by the Naples Public Prosecutor's Office with a view to ascertaining (among other things) whether the tax credits in question actually existed are also still in progress.

Given the extension of the reasonably conceivable terms for use of the credit, subject to the time needed to complete the legal proceedings currently in progress, in preparing the quarterly financial report at 30 September 2022, Banco Desio deemed it appropriate to consider a prudent discounting time horizon of 8 years[8] for the amount of Euro 46.5 million; this resulted in a total charge of Euro 8.5 million in the income statement, of which Euro 1 million as a reversal of the income recognised in the meantime in "Interest income" and Euro 7.5 million as the time value recognised under "Other operating charges/income".

Interest recognition for Targeted Longer Term Refinancing Operations (TLTRO III)

These are financing operations carried out by the European Central Bank with a view to maintaining favourable conditions for bank credit. Banco Desio participated in four TLTRO III auctions for a total amount still outstanding of Euro 3.85 billion.

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

The accounting treatment of these operations and, in particular, the recognition of interest according to the various remuneration mechanisms, is not directly attributable to any particular accounting standard (IAS/IFRS). Consequently, based on IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, Banco Desio decided on an accounting policy by which the provisions of IFRS 9 *Financial Instruments* were considered applicable.

With specific reference to the criterion to be applied to record expected changes in interest rates, based on the recent discussions and decisions of the IFRS IC, in the event of a revision of the cash flows following a change in the rates by the ECB, the provisions of IFRS 9 paragraphs B 5.4.5 and 5.4.6 would be applicable.

Application of the former would require a forward-looking revision of the interest rate, while application of the latter would result in a change in the book value of the liability by adjusting the interest rate recognised at the date of the revision (so-called "catch-up").

The application of paragraph B 5.4.5 involved the banking sector adopting different approaches in applying the specific method provided for by the regulation (based, as we said, on the average rate applied to deposits for the entire duration of each OMRLT III, with the exception of the special interest rate periods) as no official interpretation of the matter has been issued by the IFRS IC at the date of preparation of the quarterly financial report.

[7] See Art. 28-*ter* (Terms of use of tax credits subject to criminal confiscation) referred to in Law no. 25/2022 of conversion of Legislative Decree 4/2022

[8] The Bank's legal advisors indicated a "term that could range from 8 to 10 years maximum".

In addition to raising interest rates by 75 basis points, the meeting of the Governing Council of the ECB on 27 October also decided to further modify the terms and conditions applied to the third series of TLTROs, establishing that the remuneration of the individual lines, starting from the conclusion of the additional special interest period, takes place as follows:

a) up to 22 November 2022 at the average interest rate on deposits with the Central Bank from the starting date of the loan (the so-called "main interest period") and

b) from 23 November 2022 at the average interest rate on deposits with the Central Bank up to maturity of the loan (the so-called "last interest period").

The Governing Council also decided to offer banks additional dates for voluntary early repayment of the amounts involved. In this regard, the ECB said that "*recalibration of the TLTRO III terms and conditions will help to normalise banks' financing costs. Recalibration also removes the deterrents to voluntary early repayment of existing TLTRO III funds. Voluntary early repayments would reduce the Eurosystem's balance sheet and, consequently, contribute to the general normalisation of monetary policy*."

With reference to the TLTRO III loans obtained, Banco Desio recorded negative interest expense of Euro 18.0 million during the period. The decision by the Governing Council of the ECB on 27 October, with reference to the new remuneration rules for TLTRO III operations and the new reference rates, does not count as an event taking place after the date of the financial report that would involve adjusting the amounts recognised in it according to paragraph 8 *et seq.* of IAS 10 *Events after the Reporting Period*.

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

On 5 September 2022, a request for exemption from the role of parent company of the Banco Desio Group was submitted by Brianza Unione of Luigi Gavazzi and Stefano Lado S.A.p.A. (Brianza Unione) under the provisions of the TUB on banking groups and the register of banking groups, as amended by Legislative Decree 182/2021, as well as the Supervisory Provisions issued with the 39th update of Bank of Italy Circular no. 285 in implementation of article 21-*bis* of EU Directive 2013/36 (the Capital Requirements Directive or CRD), as amended by EU Directive 2019/878 (CRD5), the provisions of which came into force on 14 July 2022. The authorisation process is still underway. To this end, the Extraordinary Shareholders' Meetings of Brianza Unione on 21 April and 26 October approved a number of amendments to its articles of association required by these regulations. With the favourable outcome of the authorisation process, the composition of the banking group will therefore remain unchanged (it being understood that, based on the provisions of the Capital Requirements Regulation (CRR), the obligation to comply with the requirements of this regulation on the basis of the consolidated situation of Brianza Unione will continue).

Strategic agreement with Worldline Italia on e-money/acquiring

On 7 November Banco Desio announced that it had signed a strategic partnership with Worldline Merchant Services Italia S.p.A. ("Worldline Italia"), a company belonging to the French group Worldline SA ("Worldline", one of the European leaders and the fourth largest company in the world in payment and transactional services, for the enhancement of its merchant acquiring activity (the "Transaction").

The agreement provides for the transfer to Worldline Italia of Banco Desio's merchant acquiring activity to which over 15,000 merchants refer for a total of about 19,000 points of sales (POS). In 2022 it will generate transactions for around Euro 2 billion. The agreed consideration for the Transaction amounts to Euro 100 million with an adjustment mechanism based on certain targets that will be assessed one year after the closing date.

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

The Transaction forms part of Banco Desio's strategic plan to enhance its merchant acquiring business,which led to the selection of Worldline Italia as the best counterpart for the offer to its customers of transactional and digital services, from payments at points of sale, to e-commerce and mobile payments.

The closing is expected to take place by the end of Q1 2023 and is subject to the usual approvals from the competent authorities.

Distribution network

The distribution network at the reporting date consists of 232 branches, the same as at the end of the previous year.

The Group has 2,115 employees, 26 fewer than at the end of last year, also because of the departure of 49 people who have had access to the Solidarity and Retirement Fund with effect from 1 July 2022 (the second window of the Agreement signed with the Trade Unions on 26 November 2020).

Outlook

Macroeconomic scenario

Persistent high inflation remains the central theme for the world economy and with the passage of time the risk of a recession increases, partly due to the deflationary effects linked to the erosion of households' purchasing power and the uncertainty of firms about future demand, and partly to the tightening of monetary policies. Although with some exceptions, the Central Banks of the main countries are in fact raising their policy rates and seem willing to continue tightening credit conditions in order to bring inflation back into line with their stability objectives as soon as possible. If the Fed and the ECB waited respectively until March and July of this year before changing their policy rates, around 30% of the world economy represented by emerging countries (excluding China) had already begun tightening their domestic credit conditions in 2021.

In any case, the key point for the prospective development of the world economy still remains the Fed's response to inflation. At its meeting at the end of July 2022, the Federal Reserve decided to speed up even more the monetary tightening that began in March and continued in May and June, increasing interest rates by 75 basis points and bringing the reference rate to within a range of 2.25% to 2.5%. Despite this, inflation in August stood at 8.3%, while the labour market remained buoyant. The expectations of economic stagnation and the forecasts of a slight decline in the coming quarters are more worrying.

A sharp slowdown is being seen in China: in the second quarter of 2022, China's GDP grew by 0.4% compared with the same period of 2021, decelerating with respect to the previous quarter (+4.8%). On the price front, the August 2022 survey recorded +2.5% on an annual basis (+2.7% the previous month). On the domestic front, the containment measures to avoid the spread of Covid-19 are only the tip of the iceberg of more widespread problems, which are limiting the growth rate of the Chinese economy. Firstly, the poor coverage of vaccines combined with the capacity limits of the health system, secondly the crisis in the real estate market (the Evergrande case) is highlighting the limits of an economic model based on credit granting criteria that are overly aggressive. Economic problems were being held in the background ahead of the Communist Party Congress in October.

Europe is one of the major global economic areas that is paying the most for the effects of the conflict in Ukraine. Inflation is now higher that in the United States (9.1% versus 8.3%), driven by the rise in energy costs. The ECB is proceeding quickly with normalisation of the tight money policy in order not to fuel further inflationary expectations. At the meeting on 8 September 2022, the Governing Council of the European Central Bank decided to increase rates by 75 basis points (after the 50 bp hike in July); based on its current assessment, the Governing Council expects to raise interest rates again at future meetings to curb demand and protect against the risk of a persistent rise in expected inflation. Uncertainty about the availability of energy for this winter is curbing investment. Europe is heading towards a significant decline in activity, the intensity of which will also depend on how well governments will be able to implement support measures for households and businesses, and which can only be overcome when energy independence from Russia has been achieved.

European countries are facing the energy crisis without a coherent approach. The European Commission has made some proposals to coordinate the response of countries in the Eurozone, including a price cap for gas, but in the meantime national governments are intervening separately and massively in support of households and businesses. In Italy, the Draghi government recently approved the Aid-ter Decree. However, there is still the problem of understanding how the support measures against expensive energy can be carried out in a situation where there is limited fiscal room for manoeuvre (after the strong growth in public debt due to the pandemic) and at a time when we are beginning to think about how to re-introduce European tax rules from the end of next year. Coordinated action at European level would be required to deal with the energy crisis, but the chances of this happening are limited, at least for the time being.

In Italy, the new Centre-Right Government will have to act with balance, maintaining social cohesion and supporting productive activities by using the available resources, on the one hand, to help households and businesses most exposed to expensive energy and, on the other, to continue the modernisation of the country begun with the PNRR. Maintaining a growth rate in the years to come will be essential to contain the weight of the public debt (in a new scenario of rising interest rates) on gross domestic product and to open up spaces in the budget to cope with possible future shocks, as well as the necessary investments, related to the green transition. Lastly, it will have to act to support those companies and business activities that have shown considerable vitality in the post-Covid recovery and resilience in the face of recent events.

As regards the banking market, the year-on-year trend in customer deposits is positive and rising on a yearly basis as well (+2.4%). Within this figure, the principal components have maintained the annual trend in line with previously observations: deposits are up (+3.4% vs +6.9% in December), whereas bonds are down (-5.7% vs -4.4% in December). The cost of funding increased slightly (+0.46%), also thanks to the interventions on reference rates and the consequent impact on the parameterised items of interest-bearing liabilities. With regard to lending, loans to the private sector have maintained their previous growth trend (+4.3% vs +2.0% in December): the sector has continued to be driven by loans to businesses (+3.7%) and by loans to households (+4.0%), the performance of both depending on the tax concessions granted to the property market. Lending to the business sector continues to be influenced by the trend in investment and the economic cycle which, while recovering, is conditioned by inflationary dynamics and the cost of energy. Rates on the stock of loans to households and businesses have increased (2.32% vs 2.13% in December). Within them, the pricing of new transactions incorporates the new course of monetary policy with rates gradually increasing, especially for house purchase loans to families (2.13%, formerly 1.46% in the same period last year), highlighting the recovery in floating-rate loans (49% vs 30%).

Basis of preparation

This "*Consolidated Quarterly Financial Report at 30 September 2022*" has been prepared on a voluntary basis to ensure continuity of information with the previous quarterly reports, given that only the annual and half-yearly interim reports are now compulsory based on the wording of art. 154-ter, paragraph 5, of Legislative Decree no. 58/1998 ("Consolidated Finance Act" or "TUB") introduced by Legislative Decree no. 25/2016 implementing Directive 2013/50/EU.
As regards the recognition and measurement criteria, this Report has been prepared in accordance with the applicable IAS/IFRS issued by the International Accounting Standards Board (IASB) and the related interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), as explained in the "Accounting policies" section of the explanatory notes to the consolidated financial statements at 31 December 2021.
In terms of financial disclosure, as the consolidated quarterly report has been prepared in accordance with art. 154-ter, paragraph 5 TUB and for the purposes of determining capital for supervisory purposes ("own funds"), it does not include the explanatory notes that would be required to present the Group's financial position and results of operations for the period in accordance with IAS 34 Interim Financial Reporting.

Main factors of uncertainty

Among the main factors of uncertainty that could affect the future scenarios in which the Group will have to operate, there are undoubtedly the effects of the Russia-Ukraine conflict which, starting from February 2022, have heavily influenced the political and economic context, already subjected to severe tensions in the period from 2019 to 2021 due to the Covid 19 pandemic which today seems to be heading towards normalisation.
Recent analyses show that even though economic activity in the Eurozone was characterised by a reopening during the early months of 2022, driven by vigorous activity in the service sector following the removal of most of the restrictions related to the pandemic, looking forward there are clear signs of a protracted slowdown in a context of high inflation (accompanied by continuous restrictive monetary policy interventions) caused by the trend in energy prices, accentuated by the war in Ukraine.
The climate of confidence signals a slowdown in all sectors starting with industry and, to a lesser extent, services, and lastly among consumers. However, taking into account the value generation capacity demonstrated by the Group during the reporting period and the most recent projections of Italy's gross domestic product, a positive operating trend is expected for 2022.
For the specific information dedicated to the conflict in Ukraine, please refer to the section of this document entitled "*Impacts of the war in Ukraine*". The section entitled "Implications of the Russian-Ukrainian conflict and the Covid-19 epidemic" in the notes to the Consolidated interim financial report at 30 June 2022, to which reference should be made as it is still applicable, gave a detailed explanation of the estimation processes that require the use of significant elements of judgement in the selection of underlying hypotheses and assumptions, particularly conditioned by the negative effects of the pandemic. Then there is an explanation of the practical solutions adopted by the Group, well aware of its role in providing the necessary support to its stakeholders, both individuals and companies, characterised in the current context by significant levels of uncertainty and volatility.

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The accounting schedules of this Report are subject to a limited audit by KPMG S.p.A. for the inclusion of the interim result in own funds.
The contents of this report are consistent with the quarterly reports (or interim reports on operations) prepared previously, reflecting in any case what is defined in the "*Group Policy for Additional Periodic Financial Information*".

Banco Desio

Declaration 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 information contained in this press release agrees with the supporting documents, books of account and accounting records.

Desio, 8 November 2022

BANCO DI DESIO E DELLA BRIANZA S.p.A.

Financial Reporting Manager

Mauro Walter Colombo

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The attached consolidated financial schedules at 30 September 2022 are an integral part of the consolidated quarterly report at 30 September 2022. KPMG S.p.A., the independent auditors, are completing their limited audit tests with a view to issuing the report needed for inclusion of the profit for the period in the Bank's own funds.

Desio, 8 November 2022

BANCO DI DESIO E DELLA BRIANZA S.p.A.

The Chairman

Stefano Lado

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BANCO DI DESIO E DELLA BRIANZA S.P.A. Established in 1909 and listed on the Milan Stock Exchange since 1995, Banco Desio is today a modern multi-product banking group oriented towards the future in respect of its tradition, with deep local roots and an organisational structure focused on offering quality services to its customers, also through digital channels. The Banco Desio Group operates in Northern and Central Italy with a distribution network of over 230 branches and 2,100 employees and has a presence in the consumer credit sector through Fides S.p.A., a finance company that specialises in salary-backed loans. In the asset management and bancassurance sector, it operates through distribution agreements with primary national and international counterparties. It has total assets of more than Euro 18 billion.

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Attachment

Table A1 - Consolidated balance sheet

Assets	30.09.2022	31.12.2021	Change Amount	%
10. Cash and cash equivalents	2,167,543	84,412	2,083,131	n.s.
20. Financial assets at fair value through profit or loss	114,522	85,544	28,978	33.9%
a) Financial assets held for trading	26,775	11,034	15,741	142.7%
c) Other financial assets mandatorily at fair value	87,747	74,510	13,237	17.8%
30. Financial assets at fair value through other comprehensive income	786,466	593,360	193,106	32.5%
40. Financial assets at amortised cost	14,627,997	16,330,175	(1,702,178)	-10.4%
a) Due from banks	528,234	2,445,253	(1,917,019)	-78.4%
b) Loans to customers	14,099,763	13,884,922	214,841	1.5%
50. Hedging derivatives	32,426	-	32,426	0.0%
60. Adjustment to financial assets with generic hedge (+/-)	456	502	(46)	-9.2%
70. Equity investments	4,860	-	4,860	0.0%
90. Property, plant and equipment	221,517	218,420	3,097	1.4%
100. Intangible assets	18,947	19,119	(172)	-0.9%
of which:				
- goodwill	15,322	15,322		
110. Tax assets	159,981	170,080	(10,099)	-5.9%
a) current	3,907	14,587	(10,680)	-73.2%
b) deferred	156,074	155,493	581	0.4%
120. Non-current assets and disposal groups held for sale	6,971	13,080	(6,109)	-46.7%
130. Other assets	505,160	290,089	215,071	74.1%
Total assets	**18,646,846**	**17,804,781**	**842,065**	**4.7%**

Note. Asset caption 10. "Cash and cash equivalents" includes the amount on demand of Euro 2,070 million relating to the liquidity in excess of the obligation to maintain the mandatory reserve, invested at the reporting date in overnight deposits and previously kept entirely in the Mandatory Reserve account and shown in Asset caption 40.a) "Loans and advances to banks".

Liabilities and shareholders' equity	30.09.2022	31.12.2021	Change Amount	%
10. Financial liabilities at amortised cost	16,910,829	16,316,377	594,452	3.6%
a) Due to banks	3,960,725	3,815,695	145,030	3.8%
b) Due to customers	11,418,577	10,978,417	440,160	4.0%
c) Debt securities in issue	1,531,527	1,522,265	9,262	0.6%
20. Financial liabilities held for trading	6,736	5,901	835	14.2%
40. Hedging derivatives	-	365	(365)	-100.0%
60. Tax liabilities	2,522	3,972	(1,450)	-36.5%
a) current	1,803	2,011	(208)	-10.3%
b) deferred	719	1,961	(1,242)	-63.3%
80. Other liabilities	558,977	320,685	238,292	74.3%
90. Provision for termination indemnities	17,377	21,960	(4,583)	-20.9%
100. Provisions for risks and charges	46,264	46,776	(512)	-1.1%
a) commitments and guarantees given	3,891	4,058	(167)	-4.1%
c) other provisions for risks and charges	42,373	42,718	(345)	-0.8%
120. Valuation reserves	(14,445)	15,762	(30,207)	-191.6%
150. Reserves	967,775	931,240	36,535	3.9%
160. Share premium reserve	16,145	16,145	-	0.0%
170. Share capital	70,693	70,693	-	0.0%
190. Minority interests (+/-)	4	4	-	0.0%
200. Net profit (loss) for the period (+/-)	63,969	54,901	9,068	16.5%
Total liabilities and shareholders' equity	**18,646,846**	**17,804,781**	**842,065**	**4.7%**

Table A2 - Consolidated income statement

Captions		30.09.2022	30.09.2021	Change Amount	Change %
10.	Interest and similar income	233,906	215,050	18,856	8.8%
20.	Interest and similar expense	(33,953)	(30,578)	(3,375)	11.0%
30.	**Net interest income**	**199,953**	**184,472**	**15,481**	**8.4%**
40.	Commission income	156,261	155,711	550	0.4%
50.	Commission expense	(15,128)	(13,883)	(1,245)	9.0%
60.	**Net commission income**	**141,133**	**141,828**	**(695)**	**-0.5%**
70.	Dividends and similar income	559	519	40	7.7%
80.	Net trading income	3,415	4,149	(734)	-17.7%
90.	Net hedging gains (losses)	(529)	-	(529)	n.s.
100.	Gains (losses) on disposal or repurchase of:	5,954	1,746	4,208	241.0%
	a) financial assets at amortised cost	5,371	(1,705)	7,076	n.s.
	b) financial assets at fair value through other comprehensive income	575	3,752	(3,177)	-84.7%
	c) financial liabilities	8	(301)	309	n.s.
110.	Net result of other financial assets and liabilities at fair value through profit or loss	(6,407)	846	(7,253)	n.s.
	b) other financial assets mandatorily at fair value	(6,407)	846	(7,253)	n.s.
120.	**Net interest and other banking income**	**344,078**	**333,560**	**10,518**	**3.2%**
130.	Net value adjustments/write-backs for credit risk relating to:	(34,247)	(47,984)	13,737	-28.6%
	a) financial assets at amortised cost	(34,098)	(48,011)	13,913	-29.0%
	b) financial assets at fair value through other comprehensive income	(149)	27	(176)	n.s.
140.	Profit/losses from contractual changes without write-offs	(45)	(42)	(3)	7.1%
150.	**Net profit from financial activities**	**309,786**	**285,534**	**24,252**	**8.5%**
180.	**Net profit from financial and insurance activities**	**309,786**	**285,534**	**24,252**	**8.5%**
190.	Administrative costs:	(226,348)	(223,649)	(2,699)	1.2%
	a) payroll costs	(129,114)	(129,019)	(95)	0.1%
	b) other administrative costs	(97,234)	(94,630)	(2,604)	2.8%
200.	Net provisions for risks and charges	(2,153)	(2,817)	664	-23.6%
	a) commitments for guarantees given	119	383	(264)	-68.9%
	b) other net provisions	(2,272)	(3,200)	928	-29.0%
210.	Net adjustments to property, plant and equipment	(12,125)	(12,125)		0.0%
220.	Net adjustments to intangible assets	(1,514)	(1,432)	(82)	5.7%
230.	Other operating charges/income	25,920	23,840	2,080	8.7%
240.	**Operating costs**	**(216,220)**	**(216,183)**	**(37)**	**0.0%**
250.	Profit (loss) from equity investments	(5)	-	(5)	n.s.
290.	**Profit (loss) from continuing operations before tax**	**93,561**	**69,351**	**24,210**	**34.9%**
300.	Income taxes on continuing operations	(29,592)	(13,807)	(15,785)	114.3%
310.	**Profit (loss) from continuing operations after tax**	**63,969**	**55,544**	**8,425**	**15.2%**
330.	**Net profit (loss) for the period**	**63,969**	**55,544**	**8,425**	**15.2%**
350.	**Parent Company net profit (loss)**	**63,969**	**55,544**	**8,425**	**15.2%**

Banco Desio

Table A3 - Statement of consolidated other comprehensive income

	Captions	30.09.2022	30.09.2021
10.	**Net profit (loss) for the period**	**63,969**	**55,544**
	Other elements of income, net of income taxes without reversal to income statement		
20.	Equity instruments designated at fair value through other comprehensive income	1,192	(47,159)
70.	Defined-benefit pension plans	1,457	(121)
	Other elements of income, net of income taxes with reversal to income statement		
120.	Cash-flow hedges	203	598
140.	Financial assets (other than equities) at fair value through other comprehensive income	(33,059)	(1,038)
170.	**Total other elements of income (net of income taxes)**	**(30,207)**	**(47,720)**
180.	**Total comprehensive income (Captions 10+170)**	**33,762**	**7,824**
190.	Total comprehensive income pertaining to minority interests	-	-
200.	**Total consolidated comprehensive income pertaining to Parent Company**	**33,762**	**7,824**

Note. The negative impact of caption 20 "Equity instruments designated at fair value through other comprehensive income" in the previous year was due to the sale of the investment in Cedacri S.p.A. completed on 3 June 2021 for Euro 114.7 million; in accounting terms, the following entries were made as a result of this disposal: i) reversal of the valuation reserve at 31 December 2020 for a total of Euro 47.0 million (Euro 50.5 million gross of tax) and ii) the positive result compared with the initial book value, equal to Euro 97.5 million (Euro 104.8 million before tax), in a specific reserve shown under retained earnings.

Banco Desio

Table A 4 – Statement of changes in consolidated shareholders' equity for the period 1 January – 30 September 2022

	Balance at 31.12.2021	Changes in opening balances	Balance at 01.01.2022	Allocation of prior year results		Changes during the year									Group shareholders' equity at 30.09.2022	Minority interests at 30.09.2022
							Transactions on shareholders' equity									
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Changes in equity instruments	Derivatives on treasury shares	Stock options	Changes in equity investments	Comprehensive income at 30.09.2022		
Share capital:																
a) ordinary shares	70,693		70,693												70,693	
b) other shares																
Share premium reserve	16,145		16,145												16,145	
Reserves:																
a) retained earnings	911,513		911,513	34,075		(26)									945,562	
b) other	19,731		19,731	2,485		1									22,213	4
Valuation reserves:	15,762		15,762											(30,207)	(14,445)	
Equity instruments																
Treasury shares																
Net profit (loss) for the period	54,901		54,901	(36,560)	(18,341)									63,969	63,969	
Group shareholders' equity	**1,088,741**		**1,088,741**		**(18,341)**	**(25)**								**33,762**	**1,104,137**	
Minority interests	**4**		**4**													**4**

Table A 5 – Statement of changes in consolidated shareholders' equity for the period 1 January - 30 September 2021

	Balance at 31.12.2020	Changes in opening balances	Balance at 01.01.2021	Allocation of prior year results		Changes during the year									Group shareholders' equity at 30.09.2021	Minority interests at 30.09.2021
							Transactions on shareholders' equity									
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Changes in equity instruments	Derivatives on treasury shares	Stock options	Changes in equity investments	Comprehensive income at 30.09.2021		
Share capital:																
a) ordinary shares	63,828		63,828												63,828	
b) other shares	6,865		6,865												6,865	
Share premium reserve	16,145		16,145												16,145	
Reserves:																
a) retained earnings	798,517		798,517	23,895		89,142									911,554	
b) other	19,934		19,934	(205)											19,725	4
Valuation reserves:	66,096		66,096											(47,720)	18,376	
Equity instruments																
Treasury shares																
Net profit (loss) for the period	23,690		23,690	(23,690)										55,544	55,544	
Group shareholders' equity	**995,071**		**995,071**			**89,142**								**7,824**	**1,092,037**	
Minority interests	**4**		**4**													**4**

Note 1. The changes in the "Valuation reserves" and "Retained earnings reserve" were influenced by the sale of the investment in Cedacri S.p.A. completed on 3 June for Euro 114.7 million; in accounting terms, the following entries were made as a result of this disposal: i) reversal of the valuation reserve at 31 December 2020 for a total of Euro 47.0 million (Euro 50.5 million gross of tax) and ii) the positive result compared with the initial book value, equal to Euro 97.5 million (Euro 104.8 million before tax), in a specific reserve shown under retained earnings.

Note 2. The amount of the "Change in reserves" related to the retained earnings refers for Euro 8.4 million to the dividends declared on the basis of Banco Desio's results for the year ended 31 December 2020, which will be distributed to the shareholders when the suspension imposed by banking sector regulations is lifted.

Table A 6 – Reconciliation of the Parent Company's net profit and shareholders' equity with the Banco Desio Group's consolidated net profit and shareholders' equity

Amounts in thousands of Euro	**Shareholders' equity**	***of which: Profit for the period***
Balances of the Parent Company Banco Desio	***1,098,329***	***68,721***
Effect of consolidation of subsidiaries	5,813	751
Effect of the valuation of associates at net equity	-5	-5
Dividends declared during the period	-	-5,498
Consolidated balance of the Banco Desio Group	**1,104,137**	**63,969**

Table A 7 - Statement of reconciliation between the profit shown in the consolidated income statement of the Banco Desio Group, used for the purpose of calculating the capital for supervisory purposes of the Banco Desio Group

Amounts in thousands of Euro	**Amount**
Profit of the Group	**63,969**
Elements deducted	27,488
- proposed dividends to shareholders of the Bank (40% pay-out)	*27,488*
Net profit attributable to Tier 1 capital in Own Funds	**36,481**