BASEL III PILLAR 3

PUBLIC DISCLOSURE AT 30 JUNE 2023

Banco di Desio e della Brianza S.p.A. | Registered Office via Rovagnati,1 - 20832 Desio (MB) | Tax Code No. 01181770155 | Registered with the Metropolitan Chamber of Commerce of Milan, Monza and Brianza and Lodi | Share Capital Euro 70,692,590.28 fully paid-up | Member of the Interbank Deposit Protection Fund | and of the National Guarantee Fund | Registered in the Banking Register under ABI Code No. 3440/5 | Parent Company of Gruppo Bancario Banco di Desio e della Brianza | Registered with the Banking Group Register under No. 3440/5

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Summary

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1. Introduction

As of 1 January 2014, the prudential regulations for banks and investment firms contained in Regulation (EU) No. 575/2013 (hereinafter referred to as "CRR" or the "Regulation") and Directive 2014/36/EU (hereinafter referred to as "CRD IV" or the "Directive") of 26 June 2014, which transpose the measures adopted by the Basel Committee on Banking Supervision (Basel III regulatory framework) into the EU regulatory framework, took effect. In this context, the regulations concerning Pillar 3 require the publication of information on capital adequacy, risk exposure and the general characteristics of the systems designed to identify, measure and manage these risks. In particular, Public Disclosure is governed by Regulation (EU) No. 575/2013 (the "CRR"), Part Eight and Part Ten, Titles I, Chapter 3 and the regulatory or implementing technical standards issued by the European Commission.

Regulation (EU) No. 876/2019 ("CRR II"), in force since 28 June 2021, amended the Regulation (EU) No. 575/2013, updating the content of public disclosure (Articles 431 et seq.).

Regulation (EU) 2021/637, which establishes implementing technical standards with regard to the publication by institutions of the information required by the "CRR", has instead organically regulated the tabular contents and qualitative information required to comply with each article of the "CRR" (replacing and supplementing several previously published guidelines on the individual topics).

Since the Bank does not qualify as a large institution or as a small, non-complex institution under Article 433 CRR, it is required to provide, on a half-yearly basis, simplified disclosures containing the key metrics required by Article 447, i.e. the main indicators of capital strength, debt and liquidity, and the related regulatory requirements to be met. With regard to the Covid-19 disclosure, in view of the changed pandemic scenario, on 16 December 2022 the European Banking Authority (EBA) repealed the guidelines on reporting and public disclosure requirements on loans subject to support measures applied in the light of the Covid-19 crisis contained in EBA/GL/2020/07. However, Italy is characterised by a still significant volume of loans subject to Covid-19 public guarantee. In contrast to loans subject to moratoria, which have been progressively reduced in recent months, there is therefore a need to continue to monitor credit quality and to conduct specific supervisory analyses on these exposures; for these reasons and in line with FINREP reporting carried out at 30 June 2023, the Bank has chosen to maintain the "disclosures on new-generation loans and advances provided under public guarantee schemes" set out in the former Model 3 in the ad hoc section of this document.

The preparation of the Public Disclosure is carried out through the cooperation of the various bodies and structures involved in the governance and execution of the processes, consistently with the powers provided for by the Group's internal regulations. The Banco Desio Group has previously defined a formal policy to comply with disclosure requirements, with the aim of formalising the processes used for the construction and publication of Public Disclosures.

In order to comply with the changes introduced, at its meeting of 22 March 2022, the Bank's Board of Directors approved a revised internal regulatory framework that replaces the one previously in force and consists of:

- a Policy defining the functional guidelines for the preparation of the disclosure document, including the main roles and responsibilities of each actor involved in the process;
- a Process Regulation aimed at guiding the modus operandi of the corporate Functions involved in the process of governance and preparation of the Public Disclosure document and at defining, in more detail, the roles, responsibilities and activities required for the design, preparation and approval of the document;
- an Operations Manual, describing, in more detail, the various process steps and their Control points, to accompany the Process Regulation.

For the sake of completeness, we specify that the information published refers to the area of prudential consolidation relating to Brianza Unione di Luigi Gavazzi e Stefano Lado S.A.p.A., i.e. all entities subject to the prudential consolidation in question. Any misalignments with respect to other sources (Consolidated financial statements prepared at the same reporting date) are therefore attributable to differences in the perimeter considered.

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

The Banco Desio Group publishes this Public Disclosure via its website (www.bancodesio.it).

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2. Key Metrics under Art. 447 CRR

According to the provisions of Articles 11(2) and (3) and 13(2) of the CRR Regulation, banks controlled by a "parent financial holding company" are required to comply with the requirements of the Regulation on the basis of the consolidated situation of that financial holding company. These provisions make the calculation of capital ratios at the level of Brianza Unione di Luigi Gavazzi e Stefano Lado S.A.p.A., parent company of 50.41% of Banco di Desio e della Brianza S.p.A.

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

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

The capital conservation buffer of 2.5%, in addition to the minimum requirements, is intended to provide banks with high-quality capital resources to be used in times of market stress to prevent disruptions in the banking system and to avoid interruptions in the lending process.

As part of its work in 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 higher of the SREP binding Total Capital Ratio (9.00% binding level) and leverage (3.00%).

For the purposes of calculating "Risk Assets and Supervisory Ratios", EU regulations subject SMEs (Small and Medium-Sized Enterprises) to a facilitated risk weight (support factor of 0.7619 for exposures up to Euro 2.5 million and 0.85 for the part exceeding Euro 2.5 million).

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

The transitional provisions for sterilising the impacts of IFRS 9 were subsequently extended by Regulation (EU) 873/2020, which allowed banks in particular to sterilise the capital impacts related to the increase in loan impairments recognised in the period 2020 - 2024 in a decreasing manner compared to 1 January 2020 for stage 1 and stage 2 portfolios.

In application of the changes introduced by "CRR II", the "key metrics" required by Article 447, i.e., the main indicators of capital strength, debt and liquidity, and the related regulatory requirements to be met, with reference to the last 5 quarters subject to prudential reporting (i.e., for the period 30 June 2022 - 30 June 2023) are reported below.

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Template EU KM1: key metrics

		a	b	c	d	e
		30/06/2023	31/03/2023	31/12/2022	30/09/2022	30/06/2022
	Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital	922,773	904,714	845,186	828,329	826,582
2	Tier 1 capital	987,659	969,540	907,922	889,103	887,002
3	Total capital	1,071,628	1,054,010	989,669	968,292	965,731
	Risk-weighted exposure amounts					
4	Total risk exposure amount	7,696,997	7,922,971	7,665,612	7,425,821	7,382,626
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (%)	11.9887%	11.4189%	11.0257%	11.1547%	11.1963%
6	Tier 1 ratio (%)	12.8317%	12.2371%	11.8441%	11.9731%	12.0147%
7	Total capital ratio (%)	13.9227%	13.3032%	12.9105%	13.0395%	13.0811%
	Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)					
EU 7a	Additional own funds requirements to address various risks of excessive leverage (in %)	1.0000%	0.6500%	0.6500%	0.6500%	0.6500%
EU 7b	Of which capital CET1 (%)	0.6000%	0.3500%	0.3500%	0.3500%	0.3500%
EU 7c	Of which tier 1 capital (%)	0.8000%	0.5000%	0.5000%	0.5000%	0.5000%
EU 7d	Total SREP own funds requirements (%)	9.0000%	8.6500%	8.6500%	8.6500%	8.6500%
	Combined buffer requirement (as a percentage of risk-weighted exposure amount)					
8	Capital conservation buffer (%)	2.5000%	2.5000%	2.5000%	2.5000%	2.5000%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	-	-	-	-	-
9	Institution-specific countercyclical capital buffer (%)	-	-	-	-	-
EU 9a	Systemic risk buffer (%)	-	-	-	-	-
10	Global Systemically Important Institution buffer (%)	-	-	-	-	-
EU 10a	Other Systemically Important Institution buffer (%)	-	-	-	-	-
11	Combined buffer requirement (%)	2.5000%	2.5000%	2.5000%	2.5000%	2.5000%
EU 11a	Overall capital requirements (%)	11,500.0000%	11.1500%	11.1500%	11.1500%	11.1500%
12	CET1 available after meeting the total SREP own funds requirements (%)	2.9887%	2.7689%	2.4257%	2.5547%	2.5963%
	Leverage ratio					
13	Leverage ratio total exposure measure	20,131,186	20,756,460	18,246,287	19,358,568	18,933,699
14	Leverage ratio (%)	4.9061%	4.6710%	4.9759%	4.5928%	4.6848%
	Additional own funds requirements to address risks of excessive leverage (as a percentage of total exposure amount)					
EU 14a	Additional own funds requirements to address risks of excessive leverage (in %)	0%	0%	0%	0%	0%
EU 14b	of which capital CET1 (%)	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 a percentage of total exposure amount)					
EU 14d	Required leverage buffer (%)	3.0000%	3.0000%	3.0000%	3.0000%	3.0000%
EU 14e	Overall leverage ratio requirements (%)	3.0000%	3.0000%	3.0000%	3.0000%	3.0000%
	Liquidity Coverage Ratio					
15	Total high-quality liquid assets (HQLA) (weighted value - average)	2,658,666	2,599,066	2,722,198	2,910,518	2,749,406
EU 16a	Cash outflows - Total weighted value	2,133,046	2,119,706	2,084,702	2,044,135	2,141,844
EU 16b	Cash inflows - Total weighted value	572,542	554,228	529,950	515,616	527,261
16	Total net cash outflows (adjusted value)	1,560,504	1,565,478	1,554,752	1,528,520	1,614,584
17	Liquidity coverage ratio (%)	170.4058%	166.1237%	175.7581%	191.0776%	170.2858%
	Net Stable Funding Ratio					
18	Total available stable funding	13,328,966	14,118,739	13,427,908	14,701,077	14,771,955
19	Total required stable funding	10,201,102	10,649,552	10,457,682	11,452,623	11,296,013
20	NSFR ratio (%)	130.6620%	132.5759%	128.4023%	128.3643%	130.7714%

At 30 June 2023, the consolidated ratios calculated for the financial parent company were therefore confirmed to be above the regulatory thresholds, also considering the limits imposed by the Supervisory Authority through the SREP procedure mentioned above.

The capital ratios without application of the transitional provisions, as shown in the table below, also confirm the Group's capital strength.

Comparison statement of Own Funds and Prudential Ratios calculated with the application of Regulation (EU) 2017/2395 (application of transitional provisions) and with full application of impacts related to IFRS 9 application of transitional provisions

	30.06.2023		31.03.2023		31.12.2022	
	Application of transitional regime	Without transitional regime IFRS9	Application of transitional regime	Without transitional regime IFRS9	Application of transitional regime	Without transitional regime IFRS9
OWN FUNDS						
Common Equity Tier 1 (CET1) capital	922,773	912,017	904,714	893,305	845,186	818,827
Tier 1 capital	987,659	976,672	969,540	957,896	907,922	881,028
Total own funds	1,071,628	1,060,343	1,054,010	1,042,060	989,669	962,078
RISK ASSETS						
Risk-weighted assets	7,696,997	7,669,629	7,922,971	7,894,228	7,665,612	7,600,237
SUPERVISORY RATIOS						
Primary Tier 1 capital/risk-weighted assets (CET1 capital ratio)	11.989%	11.891%	11.419%	11.316%	11.026%	10.774%
Tier 1 capital/risk-weighted assets (Tier 1 capital ratio)	12.832%	12.734%	12.237%	12.134%	11.844%	11.592%
Total capital/risk-weighted assets (Total capital ratio)	13.923%	13.825%	13.303%	13.200%	12.910%	12.659%
LEVERAGE RATIOS						
Leverage ratio total exposure measurement	20,131,186	20,131,186	20,756,460	20,756,460	18,246,287	18,246,287
Leverage ratio	4.91%	4.85%	4.67%	4.61%	4.98%	4.83%

	30.09.2022		30.06.2022	
	Application of transitional regime	Without transitional regime IFRS9	Application of transitional regime	Without transitional regime IFRS9
OWN FUNDS				
Common Equity Tier 1 (CET1) capital	828,329	801,745	826,582	799,072
Tier 1 capital	889,103	861,979	887,002	858,939
Total own funds	968,292	939,992	965,731	936,947
RISK ASSETS				
Risk-weighted assets	7,425,821	7,359,967	7,382,626	7,315,001
SUPERVISORY RATIOS				
Primary Tier 1 capital/risk-weighted assets (CET1 capital ratio)	11.155%	10.893%	11.196%	10.924%
Tier 1 capital/risk-weighted assets (Tier 1 capital ratio)	11.973%	11.712%	12.015%	11.742%
Total capital/risk-weighted assets (Total capital ratio)	13.040%	12.772%	13.081%	12.809%
LEVERAGE RATIOS				
Leverage ratio total exposure measurement	19,358,568	19,358,568	18,933,699	18,933,699
Leverage ratio	4.59%	4.45%	4.68%	4.54%

The Group complies with the LCR (Liquidity Coverage Ratio) regulatory requirement by placing itself above the regulatory limit. 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; banks are required to maintain a stable amount of funding or maturing beyond 12 months, which allows them to finance their activities over the long term.

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3. Covid-19 disclosure

The following table provides information on liquidity disbursements of up to 10 years guaranteed by MCC and SACE disbursed in the context of Covid-19, for an amount between 80% and 100% of the amount disbursed, depending on the characteristics of the borrower and the amount requested.

The Gross Carrying Amount shown in the table also includes disbursements managed by the 48 branches acquired by the Bank following the completion of the "Lanternina Transaction[1]" in February 2023 for an amount of approximately Euro 180 million.

Template 3. Information on new loans and advances subject to newly applied public guarantee schemes introduced in response to the Covid-19 crisis

		a	b	c	d
		Gross carrying amount		Maximum amount of the guarantee that can be considered	Gross carrying amount
			of which: forbearance measures	Public guarantees received	Inflows to non-performing exposures
1	New loans and advances subject to public guarantee schemes	2,218,608	12,858	1,867,519	13,832
2	of which: to households	173,643			-
3	of which: secured by residential real estate as collateral	78			-
4	of which: non-financial corporations	2,036,706	11,754	1,705,926	(21,365)
5	of which: to small and medium-sized enterprises	1,594,450			-
6	of which: secured by non-residential real estate as collateral	-			-

[1] For further details on the transaction, please refer to the information published on Banco Desio's official website: www.bancodesio.it.

Statement by the Financial Reporting Manager

The Financial Reporting Manager, Mauro Walter Colombo, declares, pursuant to paragraph 2 of article 154-bis of the Consolidated Law on Finance, that the accounting information contained in this document "Basel III Pillar 3 at 30 June 2023" corresponds to the documented results, books and accounting records.

The Financial Reporting Manager

Mauro Walter Colombo

Attestation on policies and disclosure requirements pursuant to Part Eight, Art. 431 para. 3 of Regulation (EU) 575/2013 of 26 June 2013 as amended and supplemented[2]

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

- the adequacy of the document "Basel III Pillar 3 at 30 June 2023" with respect to the requirements of "Part Eight - Disclosures by institutions" of the "CRR", and
- the application of administrative procedures in the preparation of public disclosures in accordance with formal policy and internal processes, systems and controls.

The CEO

Alessandro Decio

The Financial Reporting Manager

Mauro Walter Colombo

Desio, 3 August 2023

[2] It should be noted in this regard that, to date, there is no defined attestation standard. In view of the fact that financial information and disclosures make up the bulk of the information provided, a joint attestation by the Chief Executive Officer and the Financial Reporting Manager was opted for.