Banco Desio

PRESS RELEASE

CONSOLIDATED RESULTS AT 31 MARCH 2020

The Board of Directors of Banco di Desio e della Brianza S.p.A. has approved this "Consolidated Quarterly Report at 31 March 2020 – Press Release"

PROFITABILITY

- ✓ **CONSOLIDATED NET PROFIT of Euro 5.1 million and annualised ROE of 2%, despite the drastic economic slowdown and a cost of risk that has almost doubled (essentially due to the raising of coverage levels), confirming the resilience of the Banco Desio Group.**

CAPITAL SOLIDITY [1]

- ✓ **Confirmation of CAPITAL SOLIDITY**

Ratios[2]	Banco Desio Brianza	Banco Desio Group	Brianza Unione Group
CET 1	14.40%	12.88%	9.94%
TIER 1	14.42%	12.89%	10.67%
Total Capital	15.11%	13.51%	11.88%

The consolidated ratios at the level of Brianza Unione di Luigi Gavazzi e Stefano Lado S.A.p.A., the parent company that controls 49.88% of Banco di Desio e della Brianza S.p.A. (of which it holds 50.44% of ordinary shares and 44.69% of savings shares), have been calculated on the basis of art. 11, paragraphs 2 and 3, and art. 13, paragraph 2, of the CRR Regulation.

SUPPORT FOR THE ECONOMY

- ✓ **LOANS TO CUSTOMERS at the end of the quarter of around Euro 9.5 billion, slightly down on the end of 2019 (-0.9%) due to the marked slowdown in the economic cycle (pulling back thanks to government support to the local economy through the *Decreto Cura Italia* and *Decreto Liquidità*)**
- ✓ **DIRECT DEPOSITS are substantially stable at Euro 11.2 billion (-0.4%), confirming the strong relationship with customers, while INDIRECT DEPOSITS amount to Euro 14.6 billion (-6.1%, of which ORDINARY CUSTOMERS -7.7%, essentially because of the market effect)**
- ✓ **Ordinary customer loans/Direct deposits ratio of 85.0% (vs 85.5%)**

LIQUIDITY AND ASSET QUALITY

- ✓ **LIQUIDITY well under control with the LCR indicator at 189.5% (vs 179.8% at 31.12.2019)**
- ✓ **Increase in the LEVELS OF COVERAGE of non-performing and performing loans:**
  Doubtful loans at 62.4% and gross of write-offs at 63.9% (vs 61.5% and 63.1% at 31.12.2019)
  Non-performing loans at 47.2% (vs 45.5%), 48.4% gross of write-offs (vs 46.7%)
  Performing loans at 0.49% (vs 0.49%)
- ✓ **INCIDENCE OF NPLs:**
  ***Net doubtful loans/Net loans ratio* at 1.3% (vs 1.3% at 31.12.2019)**
  ***Gross doubtful loans/Gross loans ratio* at 3.3% (vs 3.1%)**
  ***Net non-performing loans/Net loans ratio* at 3.5% (vs 3.6%)**
  ***Gross non-performing loans/Gross loans ratio* of 6.4% (vs 6.3%)**

HANDLING THE COVID-19 EMERGENCY

- ✓ **Specific prevention and safety protocols have been activated to ensure business continuity**
- ✓ **Risk monitoring activities and processes intensified as needed**
- ✓ **Operational solutions adopted to handle financial support measures for customers**
- ✓ **By the end of April, more than 21 thousand requests for a moratorium had been processed, for a total of Euro 2.6 billion**
- ✓ **As of 5 May, more than 5 thousand requests for new liquidity to companies had been approved for a total of Euro 177 million, of which Euro 106 million for amounts up to Euro 25 thousand**

---

[1] 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 27 June 2019, 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 7.25%, binding - pursuant to art. 67-ter Consolidated Banking Act (CBA) - for 4.75% (minimum regulatory requirement of 4.5% and additional requirements of 0.25%) with the difference represented by the capital conservation buffer, Tier1 ratio of 8.85%, binding for 6.35% (minimum regulatory requirement of 6.0% and additional requirements of 0.35%) with the difference represented by the capital conservation buffer, and Total Capital Ratio of 11.0%, binding for 8.5% (minimum regulatory requirement of 8% and additional requirements of 0.5%) with the difference represented by the capital conservation buffer.

[2] In application of the transitional provisions introduced by Regulation (EU) 2017/2395 of 12 December 2017.

***

The Board of Directors of Banco di Desio e della Brianza S.p.A., which met on 7 May 2020, approved the "Consolidated quarterly report on operations at 31 March 2020 – Press release" (hereinafter "Report"), which has been 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 follows.

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

The Report is subject to a limited audit by Deloitte & Touche SpA in order to calculate the portion of the interim result to be included in own funds.

Information on the viral pneumonia known as Covid-19

The viral pneumonia called "Covid-19", or more commonly "Coronavirus", has spread throughout the world, with consequences on economic activity that are also due to the different containment and preventive measures adopted in the various countries, including restrictions on movement, social distancing, quarantine measures and production closures.

In addition to the health emergency, today we are also witnessing an economic crisis in which certain sectors of the real economy are more severely affected than others, with impacts also on businesses in the area where Banco Desio operates along with its subsidiaries.

Given the potential effects that are expected (contraction of GDP, increase in the credit risk of bank portfolios, reduction of liquidity for the economic and financial system, a decrease in banks' capital ratios), in recent weeks the competent European and national authorities have prepared a series of interventions to provide economic support for households and companies, to facilitate support for the real economy by the banks, help maintain liquidity in the Italian financial system and guarantee its stability.

Immediately after the emergence of the first outbreaks in Lombardy and Veneto, Banco Desio set up a special body for emergency management, the Operational Prevention Committee, to assess and decide on the measures to be implemented in relation to the external and internal context. In this sense, urgent smart-working measures were activated immediately, all business trips were suspended and access to suppliers/consultants was suspended, new prevention protocols were introduced (recommendations for physical distancing in the case of infection or contact with someone who has been infected, for personal hygiene and cleaning work environments, the redefinition of workstations, the sanitisation of work environments), individual protection devices were purchased for distribution to employees, an additional "Covid-19" health insurance policy for staff, a series of organisational interventions have been prepared (office hours and methods of physical access to branches redefined, new telephone number for customer assistance) as well as technological and infrastructure investments, a special information section for the Covid-19 emergency created on the institutional website bancodesio.it with the slogan "distanti ma uniti".

The Group is now preparing for the idea of a "cautious and gradual" restart in compliance with the preventive measures established by the competent public institutions. At this complex moment, the Group's top priority is still to protect the health and safety of employees and customers. Starting from the measures put in place since the beginning of the pandemic, efforts are being made to strengthen them and create a safety protocol for a return to the new normal in coexistence with the virus.

The Report contains some of the operational measures taken immediately to address the implications of the Covid-19 epidemic. Its negative effects on the economic and financial context are the main factors of uncertainty that are likely to affect the future scenarios in which the Group will have to operate.

Considering the climate of particular uncertainty, when preparing this Report, we have taken account of the indications contained in a series of documents published by various international institutions (ESMA, EBA, ECB-SSM, IFRS Foundation), aimed at avoiding a mechanistic application of the accounting standards and, with particular reference to IFRS 9 Financial Instruments, to avoid the use of excessively pro-cyclical assumptions in the models used to estimate expected credit losses during the pandemic.

The Report therefore contains specific information relating to the application of the IFRS adopted by the Group (particularly in the section below entitled "Basis of preparation"). Further indications of a qualitative or quantitative nature regarding the effects of Covid-19, including those that are only potential, on the Group's future economic and financial prospects will be provided in subsequent reports.

Results of the period

Key figures and ratios

Table 1 – Balance sheet

Amounts in thousands of Euro	31.03.2020	31.12.2019	Change amount	Change %
Total assets	14,209,259	14,192,062	17,197	0.1%
Financial assets	3,291,831	3,365,922	-74,091	-2.2%
Due from banks (1)	840,641	619,794	220,847	35.6%
Loans to customers (1)	9,481,533	9,567,686	-86,153	-0.9%
Property, plant and equipment (2)	222,930	226,305	-3,375	-1.5%
Intangible assets	18,092	18,194	-102	-0.6%
Due to banks	1,601,223	1,603,208	-1,985	-0.1%
Due to customers (3)	9,484,997	9,445,899	39,098	0.4%
Debt securities in issue	1,670,409	1,749,103	-78,694	-4.5%
Shareholders' equity (including Net profit/loss for the period) (4)	966,591	965,108	1,483	0.2%
Own Funds	1,014,593	1,038,147	-23,554	-2.3%
Total indirect deposits	14,607,882	15,562,375	-954,493	-6.1%
of which: Indirect deposits from ordinary customers	*8,972,925*	*9,721,680*	*-748,755*	*-7.7%*
of which: Indirect deposits from institutional customers	*5,634,957*	*5,840,695*	*-205,738*	*-3.5%*

(1) on the basis of Circular 262 the balance of this caption includes held to collect (HTC) debt securities measured at amortised cost, which in these key figures are shown under financial assets

(2) the balance of this item includes the right of use ("RoU Assets") equal to Euro 50.4 million (Euro 51.7 million at 31 December 2019) 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 of this item does not include the liability recognised in Due to customers for operating lease contracts falling within the scope of application of IFRS 16, which came into effect on 1 January 2019

Table 2 – Income statement (4)

Amounts in thousands of Euro	31.03.2020	31.03.2019	Change amount	Change %
Operating income	96,642	98,045	-1,403	-1.4%
of which: Net interest income	*51,990*	*53,677*	*-1,687*	*-3.1%*
Operating costs	71,089	71,423	-334	-0.5%
Result of operations	25,553	26,622	-1,069	-4.0%
Profit (loss) from continuing operations after tax	4,860	12,093	-7,233	-59.8%
Non-recurring profit (loss) after tax	241	481	-240	-49.9%
Profit for the period (4)	5,101	12,574	-7,473	-51.5%

(4) from the Reclassified Income Statement.

Table 3 – Key figures and ratios

	31.03.2020	31.12.2019	Change amount
Capital/Total assets	6.8%	6.8%	0.0%
Capital/Loans to customers	10.2%	10.1%	0.1%
Capital/Due to customers	10.2%	10.2%	0.0%
Capital/Debt securities in issue	57.9%	55.2%	2.7%
Common Equity Tier 1 (CET 1)/Risk-weighted assets (Common Equity Tier 1 ratio) [5] [6]	12.9%	13.0%	-0.1%
Core Tier 1 capital (T1)/Risk-weighted assets (Tier 1 ratio) [5] [6]	12.9%	13.0%	-0.1%
Total Own Funds/Risk-weighted assets (Total capital ratio) [5] [6]	13.5%	13.7%	-0.2%
Financial assets/Total assets	23.2%	23.7%	-0.5%
Due from banks/Total assets	5.9%	4.4%	1.5%
Loans to customers/Total assets	66.7%	67.4%	-0.7%
Loans to customers/Direct customer deposits	85.0%	85.5%	-0.5%
Due to banks/Total assets	11.3%	11.3%	0.0%
Due to customers/Total assets	66.8%	66.6%	0.2%
Debt securities in issue/Total assets	11.8%	12.3%	-0.5%
Direct customer deposits/Total assets	78.5%	78.9%	-0.4%
	31.03.2020	**31.03.2019**	**Change amount**
Cost/Income ratio	73.6%	72.8%	0.8%
Net interest income/Operating income	53.8%	54.7%	-0.9%
Result of operations/Operating income	26.4%	27.2%	-0.8%
Profit (loss) from continuing operations after tax/Capital [7] [8]	2.0%	4.9%	-2.9%
ROE [7] - annualised [8] [9]	2.0%	4.3%	-2.3%
Profit (loss) from operations before tax/Total assets (ROA) [8]	0.2%	0.5%	-0.3%
	31.03.2020	**31.12.2019**	**Change amount**
Net doubtful loans/Loans to customers	1.3%	1.3%	0.0%
Net non-performing loans/Loans to customers	3.5%	3.6%	0.0%
% Coverage of doubtful loans	62.4%	61.5%	1.0%
% Coverage of doubtful loans, gross of cancellations	63.9%	63.1%	0.8%
% Total coverage of non-performing loans	47.2%	45.5%	1.7%
% Coverage of non-performing loans, gross of cancellations	48.4%	46.7%	1.6%
% Coverage of performing loans	0.49%	0.49%	0.0%

Table 4 – Structure and productivity ratios

	31.03.2020	31.12.2019	Change amount	%
Number of employees	2,200	2,198	2	0.1%
Number of branches	255	257	-2	-0.8%
Amounts in thousands of Euro				
Loans and advances to customers per employee [10]	4,312	4,342	-30	-0.7%
Direct deposits from customers per employee [10]	5,073	5,081	-8	-0.2%
	31.03.2020	**31.03.2019**	**Change amount**	**%**
Operating income per employee (10) - annualised (8)	176	181	-5	-2.8%
Result of operations per employee (10) - annualised (8)	46	53	-7	-13.2%

[5] Consolidated capital ratios for Banco Desio. The ratios for the scope of consolidation for regulatory purposes at Brianza Unione level at 31 March 2020 are: Common Equity Tier1 9.9%; Tier 1 10.7%; Total capital ratio 11.9%.

[6] Capital ratios at 31.03.2020 are calculated in application of the transitional provisions introduced by EU Regulation 2017/2395; the ratios calculated without application of these provisions are the following: Common Equity Tier1 12.4%; Tier 1 12.4%; Total capital ratio 13.1%.

[7] equity excluding net profit (loss) for the period;

[8] the amount reported at 31.03.2019 is the final figure at the end of 2019;

[9] the annualised ROE at 31.03.2020 does not take into consideration the annualisation of the Net non-recurring operating profit;

[10] 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 net profit for the period has decreased by approximately 7.5 million (- 59.4%), influenced by the effect of the new economic circumstances on the cost of credit and net adjustments to securities.

Table 5 – Reclassified consolidated income statement

Captions				Change	
Amounts in thousands of Euro		31.03.2020	31.03.2019	Amount	%
10+20	Net interest income	51,990	53,677	-1,687	-3.1%
70	Dividends and similar income	561	457	104	22.8%
40+50	Net commission income	41,214	38,556	2,658	6.9%
80+90+100+110	Net result of financial assets and liabilities	1,739	3,093	-1,354	-43.8%
230	Other operating income/expense	1,138	2,262	-1,124	-49.7%
	Operating income	**96,642**	**98,045**	**-1,403**	**-1.4%**
190 a	Payroll costs	-42,434	-42,734	300	-0.7%
190 b	Other administrative costs	-26,271	-26,069	-202	0.8%
210+220	Net adjustments to property, plant and equipment and intangible assets	-2,384	-2,620	236	-9.0%
	Operating costs	**-71,089**	**-71,423**	**334**	**-0.5%**
	Result of operations	**25,553**	**26,622**	**-1,069**	**-4.0%**
130a+100a	Cost of credit	-16,268	-9,139	-7,129	78.0%
130 b	Net adjustments to securities owned	-344	2,550	-2,894	n.s.
140	Profit/losses from contractual changes without write-offs	-126	71	-197	-277.5%
200 a	Net provisions for risks and charges - commitments and guarantees given	-55	-815	760	-93.3%
200 b	Net provisions for risks and charges - other	-1,344	-88	-1,256	n.s.
	Profit (loss) from continuing operations before tax	**7,416**	**19,201**	**-11,785**	**-61.4%**
300	Income taxes on continuing operations	-2,556	-7,108	4,552	-64.0%
	Profit (loss) from continuing operations after tax	**4,860**	**12,093**	**-7,233**	**-59.8%**
	Provisions for risks and charges, other provisions, one-off expenses and revenue	360	718	-358	-49.9%
	Non-recurring result before tax	**360**	**718**	**-358**	**-49.9%**
	Income taxes from non-recurring items	-119	-237	118	-49.8%
	Non-recurring profit (loss) after tax	**241**	**481**	**-240**	**-49.9%**
330	**Net profit (loss) for the period**	**5,101**	**12,574**	**-7,473**	**-59.4%**
340	Minority interests	0	0	0	n.s.
350	**Profit (Loss) for the period pertaining to the Parent Company**	**5,101**	**12,574**	**-7,473**	**-59.4%**

N.B. In consideration of the merger by absorption into Banco Desio of the former subsidiary Banca Popolare di Spoleto on 1 July 2019 with accounting effect on 1 January 2019, caption "340 Minority interests" of the comparative period has been set at zero to make the figures more comparable.

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 decreased by about Euro 1.4 million compared with the previous period (-1.4%), coming in at Euro 96.6 million. The trend is mainly attributable to the contraction in *net interest income* for 1.7 million (-3.1%), the *net results of financial assets and liabilities* for Euro 1.4 million (-43.8%) and *other operating income/expense* for Euro 1.1 million (-49.7%), partially offset by an increase in *net commission income* that shows a positive change of Euro 2.7 million (+6.9%).

Dividends, which amounted to Euro 0.5 million, are 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* amounted to around Euro 71.1 million and have decreased with respect to the comparative period by Euro 0.3 million (-0.5%).

Payroll costs and net adjustments to property, plant and equipment and intangible assets have decreased by 0.7% and 9.0% respectively on the prior period, whereas other administrative costs have increased by Euro 0.2 million (+0.8%).

Results of operations

The *result of operations* at 31 March 2020 therefore came to Euro 25.6 million, a decrease of Euro 1.1 million (-4.0%).

Net profit (loss) from continuing operations after tax

The *result of operations* of Euro 25.6 million leads to a *net profit (loss) from operations after tax* of Euro 4.9 million, 59.8% down on the Euro 12.1 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 16.3 million (Euro 9.1 million in the first quarter of the previous year), which reflects a deterioration in the forecasts of recoverability of the non-performing loans portfolio at the reporting date, in consideration of the new circumstances[3];
- negative *net adjustments to proprietary securities* of Euro 0.3 million (positive for Euro 2.5 million in the comparative period);
- negative *net allowances to provisions for risks and charges* of Euro 1.4 million (negative for Euro 0.9 million in the comparative period);
- *income taxes on continuing operations* of Euro 2.6 million (vs Euro 7.1 million).

Result of non-recurring items after tax

At 31 March 2020 there was a *non-recurring profit after tax* of Euro 0.2 million (vs Euro 0.5 million).

In the comparative period, this item included the revenue component relating to the adjustment of the liabilities recorded to cover the redundancy plan at the end of 2016, reclassified from *personnel costs*, with the related tax effect. The same item of revenue, net of tax, led to the balance of the comparative period.

Net profit (loss) for the period

The sum of *profit from operations* and *non-recurring profit* leads to a profit for the period at 31 March 2020 of Euro 5.1 million.

[3]Please refer to the information contained in the section below entitled "Basis of preparation"

Table 6 - Reconciliation between the financial statements and the reclassified income statement at 31.03.2020

	Captions	As per financial statements	Reclassifications									Reclassified income statement
	Amounts in thousands of Euro	**31.03.2020**	Measurement effects on non-performing loans	Fides brokerage commission	Tax/expense recoveries	Expected loss on securities at amortized cost	Amortisation of leasehold improvements	Gains (Losses) on disposal or repurchase of loans	Provisions for risks and charges/other provisions, one-off expenses and revenue	Reclassifications IFRS16 - Leases	Income taxes	**31.03.2020**
10+20	Net interest income	53,770	-1,407	-651						278		51,990
70	Dividends and similar income	561										561
40+50	Net commission income	40,563		651								41,214
80+90+100+110	Net result of financial assets and liabilities	2,015						84	-360			1,739
230	Other operating income/expense	8,410			-7,652		380					1,138
	Operating income	**105,319**	**-1,407**	**0**	**-7,652**	**0**	**380**	**84**	**-360**	**278**	**0**	**96,642**
190 a	Payroll costs	-42,434										-42,434
190 b	Other administrative costs	-30,962			7,652					-2,961		-26,271
210+220	Net adjustments to property, plant and equipment and intangible assets	-4,687					-380			2,683		-2,384
	Operating costs	**-78,083**	**0**	**0**	**7,652**	**0**	**-380**	**0**	**0**	**-278**	**0**	**-71,089**
	Result of operations	**27,236**	**-1,407**	**0**	**0**	**0**	**0**	**84**	**-360**	**0**	**0**	**25,553**
130a+100a	Cost of credit	-18,079	1,407			369		-84	119			-16,268
130 b	Net adjustments to securities owned	25				-369						-344
140	Profit/losses from contractual changes without write-offs	-126										-126
200 a	Net provisions for risks and charges - commitments and guarantees given	-55										-55
200 b	Net provisions for risks and charges - other	-1,225							-119			-1,344
	Profit (loss) from continuing operations before tax	**7,776**	**0**	**0**	**0**	**0**	**0**	**0**	**-360**	**0**	**0**	**7,416**
300	Income taxes on continuing operations	-2,675									119	-2,556
	Profit (loss) from continuing operations after tax	**5,101**	**0**	**0**	**0**	**0**	**0**	**0**	**-360**	**0**	**119**	**4,860**
	Provisions for risks and charges, other provisions, one-off expenses and revenue								360			360
	Non-recurring result before tax	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**360**	**0**	**0**	**360**
	Income taxes from non-recurring items										-119	-119
	Non-recurring profit (loss) after tax	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**360**	**0**	**-119**	**241**
330	**Net profit (loss) for the period**	**5,101**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**5,101**
340	Minority interests	0										0
350	**Profit (Loss) for the period pertaining to the Parent Company**	**5,101**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**5,101**

Gruppo Banco Desio

Consolidated financial position

Deposits

Total customer funds under management at 31 March 2020 reached Euro 25.8 billion, a decrease with respect to the 2019 year-end balance (-3.7%).

Direct deposits at 31 March 2020 amounted to Euro 11.2 billion, down 0.4% compared with 31 December 2020, due to the trend in debt securities in issue (-4.5%), offset by the growth in amounts due to customers (+0.4%).

Indirect deposits at 31 March 2020 had a balance of Euro 14.6 billion (-6.1% , essentially due to the market effect). Deposits from ordinary customers amounted to Euro 9.0 billion, down 7.7% compared with the end of the previous year, attributable to the trend in assets under administration (-9.6%) and assets under management (-6.8%).

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

Table 7 – Customer deposits

					Change	
Amounts in thousands of Euro	**31.03.2020**	**%**	**31.12.2019**	**%**	**Amount**	**%**
Due to customers	9,484,997	36.8%	9,445,899	35.2%	39,098	0.4%
Debt securities in issue	1,670,409	6.5%	1,749,103	6.5%	-78,694	-4.5%
Direct deposits	**11,155,406**	**43.3%**	**11,195,002**	**41.8%**	**-39,596**	**-0.4%**
Ordinary customer deposits	8,972,925	34.8%	9,721,680	36.4%	-748,755	-7.7%
Institutional customer deposits	5,634,957	21.9%	5,840,695	21.8%	-205,738	-3.5%
Indirect deposits	**14,607,882**	**56.7%**	**15,562,375**	**58.2%**	**-954,493**	**-6.1%**
Total customer deposits	**25,763,288**	**100.0%**	**26,757,377**	**100.0%**	**-994,089**	**-3.7%**

Table 8 – Indirect deposits from customers

					Change	
Amounts in thousands of Euro	**31.03.2020**	**%**	**31.12.2019**	**%**	**Amount**	**%**
Assets under administration	**2,782,438**	**19.0%**	**3,078,702**	**19.8%**	**-296,264**	**-9.6%**
Assets under management	**6,190,487**	**42.4%**	**6,642,978**	**42.7%**	**-452,491**	**-6.8%**
of which: Mutual funds and Sicavs	*2,795,907*	*19.1%*	*3,144,939*	*20.2%*	*-349,032*	*-11.1%*
Managed portfolios	*915,246*	*6.3%*	*966,037*	*6.2%*	*-50,791*	*-5.3%*
Bancassurance	*2,479,334*	*17.0%*	*2,532,002*	*16.3%*	*-52,668*	*-2.1%*
Ordinary customer deposits	**8,972,925**	**61.4%**	**9,721,680**	**62.5%**	**-748,755**	**-7.7%**
Institutional customer deposits (1)	**5,634,957**	**38.6%**	**5,840,695**	**37.5%**	**-205,738**	**-3.5%**
Indirect deposits (1)	**14,607,882**	**100.0%**	**15,562,375**	**100.0%**	**-954,493**	**-6.1%**

(1) institutional customer deposits include securities of the Bancassurance segment of ordinary customers for Euro 2.4 billion (Euro 2.4 billion at 31.12.2019).

Given the current contingency, the Finance Department has stepped up its monitoring of operating and overall liquidity, of the trend in deposits and in the gap between direct deposits and loans, which are substantially stable. At present, there is no evidence of particular stress situations. The Risk Management Department in turn has raised 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, and the funding indicators.

Loans and coverage

Loans to customers at 31 March 2020 total Euro 9.5 billion, entirely related to *loans to ordinary customers* (-0.9% vs the comparative period).

The main indicators on the coverage of performing and non-performing loans are given below, showing an increase in the levels of coverage.[4]

Table 9 – Credit quality at 31 March 2020

Amounts in thousands of Euro	31.03.2020					
	Gross exposures	% of total loans and receivables	Write-downs	Coverage ratio	Net exposures	% of total loans and receivables
Doubtful loans	325,605	3.3%	(203,055)	62.4%	122,550	1.3%
Unlikely to pay loans	303,893	3.1%	(95,460)	31.4%	208,433	2.2%
Past due non-performing loans	3,484	0.0%	(432)	12.4%	3,052	0.0%
Total non-performing loans	**632,982**	**6.4%**	**(298,947)**	**47.2%**	**334,035**	**3.5%**
Exposures in stage 1	8,142,644	82.9%	(21,228)	0.3%	8,121,416	85.7%
Exposures in stage 2	1,050,325	10.7%	(24,243)	2.3%	1,026,082	10.8%
Performing exposures	**9,192,969**	**93.6%**	**(45,471)**	**0.49%**	**9,147,498**	**96.5%**
Total loans to customers	**9,825,951**	**100.0%**	**(344,418)**	**3.5%**	**9,481,533**	**100.0%**

Table 9-bis – Credit quality at 31 December 2019

Amounts in thousands of Euro	31.12.2019					
	Gross exposures	% of total loans and receivables	Write-downs	Coverage ratio	Net exposures	% of total loans and receivables
Doubtful loans	311,378	3.1%	(191,360)	61.5%	120,018	1.3%
Unlikely to pay loans	309,618	3.1%	(92,556)	29.9%	217,062	2.3%
Past due non-performing loans	3,503	0.0%	(404)	11.5%	3,099	0.0%
Total non-performing loans	**624,499**	**6.3%**	**(284,320)**	**45.5%**	**340,179**	**3.6%**
Exposures in stage 1	8,234,918	83.2%	(22,059)	0.3%	8,212,859	85.8%
Exposures in stage 2	1,038,195	10.5%	(23,547)	2.3%	1,014,648	10.6%
Performing exposures	**9,273,113**	**93.7%**	**(45,606)**	**0.49%**	**9,227,507**	**96.4%**
Total loans to customers	**9,897,612**	**100.0%**	**(329,926)**	**3.3%**	**9,567,686**	**100.0%**

[4] Please refer to the information contained in the section below entitled "Basis of preparation"

Lastly, the following table shows the breakdown of loans to customers by type at 31 March 2020 (compared with 31 December 2019); in loans to ordinary customers (-0.9%) it shows a slight decrease in medium/long term loans (-0.3%).

Table 10 – Breakdown of loans to customers

Amounts in thousands of Euro	31.03.2020	%	31.12.2019	%	Change Amount	Change %
Current accounts	1,396,023	14.8%	1,418,691	14.9%	-22,668	-1.6%
Repurchase agreements	8,734	0.1%			8,734	n.s.
Mortgages and other long-term loans	7,072,490	74.6%	7,091,759	74.1%	-19,269	-0.3%
Other	1,004,286	10.6%	1,057,236	11.0%	-52,950	-5.0%
Loans to customers	**9,481,533**	**100.0%**	**9,567,686**	**100.0%**	**-86,153**	**-0.9%**
- of which non-performing loans	*334,035*	*3.5%*	*340,179*	*3.6%*	*-6,144*	*-1.8%*
- of which performing loans	*9,147,498*	*96.5%*	*9,227,507*	*96.4%*	*-80,009*	*-0.9%*

With the support of the Risk Management Department, the Credit Department is committed to implementing the measures being introduced in Italy in support of the financial needs of households and businesses (including the extensive programmes of public credit guarantees) and to analysing the publications and analyses of rating agencies and credit bureaus. It has also adopted specific trend monitoring analyses in relation to Covid-19. In addition, specific internal instructions have also been issued for the operational management of the extraordinary aid measures for which a specific task force has been set up. Further organisational interventions for a prompt response to customers are underway.

Securities portfolio and the net interbank position

At 31 March 2020, *total financial assets* amounted to Euro 3.3 billion, with a decrease on the end of 2019 (-2.2%). With reference to the issuers of securities, the total portfolio at 31 March 2020 relates for 77.2% to government securities, 8.7% to securities issued by banks and the remainder to other issuers.[5]

The following table gives information on sovereign risk, i.e. on the bonds issued by central and local governments and government agencies, as well as loans granted to them.

Table 11 – Exposure in sovereign debt securities

Amounts in thousands of Euro		31.03.2020 Italy	Nominal value	Book value
Financial assets designated at fair value through other comprehensive income	up to 1 year	-	-	-
	1 to 3 years	425,000	425,000	422,052
	3 to 5 years	-	-	-
	over 5 years	-	-	-
	Total	425,000	425,000	422,052
Financial assets measured at amortised cost	up to 1 year	275,000	275,000	275,682
	1 to 3 years	745,000	745,000	746,111
	3 to 5 years	665,921	665,921	671,525
	over 5 years	419,790	419,790	425,105
	Total	2,105,711	2,105,711	2,118,423
Sovereign debt	**up to 1 year**	**275,000**	**275,000**	**275,682**
	1 to 3 years	**1,170,000**	**1,170,000**	**1,168,163**
	3 to 5 years	**665,921**	**665,921**	**671,525**
	over 5 years	**419,790**	**419,790**	**425,105**
	Total	**2,530,711**	**2,530,711**	**2,540,475**

[5] Please refer to the information contained in the section below entitled "Basis of preparation"

The *net interbank position* is negative for Euro 0.8 billion, compared with the position at the end of the previous year, which was also negative for Euro 1.0 billion.

Capital and capital adequacy ratios

Shareholders' equity pertaining to the Parent Company at 31 March 2020, including net profit for the period, amounts to Euro 966.6 million (Euro 965.1 million at 31 December 2019). The positive change of Euro 1.5 million is attributable to the comprehensive income for the period.

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

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, relating to the regulatory scope of the consolidated financial statements drawn up 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 891.9 million at 31 March 2020 (CET1 + AT1 of Euro 801.2 million, T2 of Euro 90.7 million), compared with Euro 908.6 million at the end of the previous year. The following table shows the consolidated prudential requirements of the financial parent company calculated with and without applying the transitional provisions.

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

	31.03.2020	
	Application of the transitional regime	Without application of the transitional regime
OWN FUNDS		
Common Equity Tier 1 - CET 1	746,210	
Common Equity Tier 1 - CET1 without application of the transitional provisions		*721,997*
Tier 1 capital	801,232	
Tier 1 capital without application of the transitional provisions		*776,481*
Total own funds	891,904	
Total own funds without application of the transitional provisions		*867,052*
RISK ASSETS		
Risk-weighted assets	7,509,195	
Risk-weighted assets without application of the transitional provisions		*7,442,046*
CAPITAL RATIOS		
Common Equity Tier 1 ratio/Risk-weighted assets (CET 1 capital ratio)	9.937%	
Common Equity Tier 1/Risk-weighted assets (CET1 capital ratio) without application of the transitional provisions		*9.702%*
Core Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)	10.670%	
Common Equity Tier 1/Risk-weighted assets (Tier 1 capital ratio) without application of the transitional provisions		*10.434%*
Total Own Funds/Risk-weighted assets (Total capital ratio)	11.877%	
Total own funds/Risk-weighted assets (Total capital ratio) without application of the transitional provisions		*11.651%*

At 31 March 2020, the Common Equity Tier 1 ratio (CET1/Risk-weighted assets) was 9.9% (10.0% at 31 December 2019). The Tier 1 ratio (T1/Risk-weighted assets) was 10.7% (10.7% at 31 December 2019), while the Total capital ratio (total Own Funds/Risk-weighted assets) was 11.9% (12.0% at 31 December 2019).

Consolidated Own Funds calculated at the Banco Desio Group level, after the pay out of 40%, amounted to Euro 1,014.6 million at 31 March 2020 (CET1 + AT1 Euro 968.2 million + T2 Euro 46.4 million), compared with Euro 1,038.1 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 provisions.

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

	31.03.2020	
	Application of the transitional regime	Without application of the transitional regime
OWN FUNDS		
Common Equity Tier 1 - CET 1	967,408	
Common Equity Tier 1 - CET1 without application of the transitional provisions		*923,760*
Tier 1 capital	968,167	
Tier 1 capital without application of the transitional provisions		*924,519*
Total own funds	1,014,593	
Total own funds without application of the transitional provisions		*970,945*
RISK ASSETS		
Risk-weighted assets	7,511,124	
Risk-weighted assets without application of the transitional provisions		*7,443,976*
CAPITAL RATIOS		
Common Equity Tier 1 ratio/Risk-weighted assets (CET 1 capital ratio)	12.880%	
Common Equity Tier 1/Risk-weighted assets (CET1 capital ratio) without application of the transitional provisions		*12.409%*
Core Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)	12.890%	
Common Equity Tier 1/Risk-weighted assets (Tier 1 capital ratio) without application of the transitional provisions		*12.420%*
Total Own Funds/Risk-weighted assets (Total capital ratio)	13.508%	
Total own funds/Risk-weighted assets (Total capital ratio) without application of the transitional provisions		*13.043%*

At 31 March 2020, the Common Equity Tier 1 ratio (CET1/Risk-weighted assets) was 12.9% (13.0% at 31 December 2019). The Tier 1 ratio (T1/Risk-weighted assets) was 12.9% (13.0% at 31 December 2019), while the Total capital ratio (total Own Funds/Risk-weighted assets) was 13.5% (13.7% at 31 December 2019).

These figures are again above the minimum requirements according to the Bank of Italy (SREP) provision communicated on 27 June 2019, which requires the Brianza Unione Group for CRR purposes to comply with the following minimum capital requirements at a consolidated level:

- ***7.25% for the Common Equity Tier 1 ratio***, binding - pursuant to art. 67-ter CBA - to the extent of 4.75% (of which 4.5% for the minimum regulatory requirements and 0.25% for additional requirements) and the capital conservation buffer for the remainder;
- ***8.85% for the Tier 1 ratio***, binding - pursuant to art. 67-ter CBA - to the extent of 6.35% (of which 6.0% for the minimum regulatory requirements and 0.35% for additional requirements) and the capital conservation buffer for the remainder;
- **11.00% for the Total Capital ratio**, binding - pursuant to art. 67-ter CBA - to the extent of 8.5% (of which 8% for the minimum regulatory requirements and 0.50% for additional requirements) and the capital conservation buffer for the remainder.

Performance of consolidated companies

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

Profit for the period, down by Euro 10.6 million (-62.2%), influenced by the effect of the new economic circumstances on the cost of credit and net adjustments to securities. Worth noting, in particular, are the *Result of operations,* which amounts to Euro 24.7 million, in line with the comparative period (which incidentally featured a contraction in *net interest income* for Euro 1.8 million, the *net result of financial assets and liabilities* for Euro 1.4 million and *other operating income/expense* for Euro 0.2 million, partially offset by the increase in *net commission income* that highlights a positive change of Euro 2.9 million and the containment of *operating costs* for Euro 0.4 million, *Dividends from equity investments in subsidiaries* for Euro 1.6 million (vs Euro 5.7 million), the marked increase in the *Cost of credit* which stood at Euro 16.1 million (vs Euro 9.2 million), the balance of *Net adjustments to proprietary securities* negative for Euro 0.3 million (net positive adjustments for Euro 2.6 million in the comparative period), the balance of *Net allowances to provisions for risks and charges* negative for Euro 1.4 million (charges for Euro 0.9 million in the comparative period) and lower *Income taxes on current operations* for Euro 4.1 million.
Loans to customers went from Euro 9,515.7 million at the end of 2019 to Euro 9,428.9 million at the reference date.
Shareholders' equity at 31 March 2020, including net profit for the period, amounts to Euro 959.7 million, compared with Euro 956.9 million at the end of 2019. The positive change of Euro 2.8 million is attributable to the trend in comprehensive income for the period. Shareholders' equity calculated in accordance with the new regulatory provisions defined as *Own Funds*, with an expected pay out of 40%, amounts at 31 March 2020 to Euro 1,014.4 million (CET1 + ATI of Euro 968.0 million + T2 of Euro 46.4 million), compared with Euro 1,036.7 million at the end of the previous year. At 31 March 2020, the Common Equity Tier 1 ratio stood at 14.40% (14.42% at 31 December 2019), the Tier 1 ratio at 14.42% (14.44% at 31 December 2019) and the Total Capital ratio at 15.11% (15.21% at 31 December 2019).

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 operations after tax* at 31 March 2020 comes to Euro 0.7 million, a decrease compared with the prior period figure of Euro 1.5 million; *operating income* amounted to Euro 3.1 million, down by Euro 0.9 million compared with the period to 31 March 2019, while operating costs totalled Euro 1.8 million (vs Euro 1.7 million), and the *results of operations* amounted to Euro 1.3 million (vs Euro 2.3 million). The *Cost of credit*, amounting to approximately Euro 0.2 million, and *taxes* for Euro 0.3 million (vs Euro 0.7 million) lead to the result for the period.
Loans to customers increased from Euro 792.7 million at the end of 2019 to Euro 817.0 million at the reference date, an increase of 3.1% or Euro 24.2 million.
Book *Shareholders' equity* at 31 March 2020, including net profit for the period, amounts to Euro 46.9 million, compared with Euro 47.8 million at the end of 2019 (due to the result for the period more than offset by the distribution of dividends).
Own Funds for supervisory purposes have risen from Euro 45.0 million at the end of 2019 to Euro 45.2 million.

Frame of reference

Ratings

In the face of the ongoing health emergency linked to the spread of the Covid-19 virus, considering the expected deterioration of the country's growth forecasts and the consequent repercussions on the banking sector, Fitch Ratings carried out a rating on a group of Italian banks.

On 24 March 2020, Fitch confirmed the ratings previously assigned to the bank, placing them under negative watch due to the new context.

The latest ratings are therefore as follows:
- Long term IDR: confirmed at "BBB-"
- Viability rating: confirmed at "bbb-"
- Short term IDR: confirmed at "F3"

Amendments to the Articles of Association

The Extraordinary Shareholders' Meeting of Banco Desio of 23 April 2020 approved the amendments to the Articles of Association. These concern in particular the provisions on gender balance in the administrative and control bodies of listed companies contained in Law 160 of 27 December 2019, which amended articles 147 ter, paragraph 1- ter, and 148, paragraph 1- bis, of Legislative Decree 58/98, increasing the share reserved for the less represented gender from one third to two fifths.

Approval of the financial statements and allocation of the result for the year

The Ordinary Shareholders' Meeting of Banco Desio of 23 April 2020 approved the financial statements at 31 December 2019. As indicated in the press release of 1 April 2020, in accordance with the Recommendation of the Bank of Italy on the distribution of dividends and in line with the clarifications also provided by the European Central Bank, the Board of Directors decided to maintain the initial proposal for the distribution of dividends, but making payment conditional on the successful outcome of the current health crisis.
Payment of the dividend, equal to Euro 0.1036 for each of the 122,745,289 ordinary shares and Euro 0.1244 for each of the 13,202,000 savings shares, will only take place after 1 October 2020, providing the 2019 dividend distribution complies with: (a) the regulatory framework of reference and/or any measures and/or recommendations of the prudential Supervisory Authority as positively assessed by the Board of Directors and subsequently by the Shareholders' Meeting which will have to be called for this purpose, together with (b) the evolution of the economic and financial situation of the overall context and the bank, it being understood that, if these conditions do not occur by the date mentioned above, the Board of Directors and then the Shareholders' Meeting called for this purpose will in any case be able to assess the taking of the necessary or appropriate resolutions in line with any provisions and/or recommendations of the Supervisory Authorities, also with regard to the distribution of the dividend to savings shares in compliance with the provisions of art. 31 of the Articles of Association.

Appointment of the Board of Directors and Board of Statutory Auditors

After deciding that the maximum number of Directors for the three-year period 2020-2022 will be 12, the Ordinary Shareholders' Meeting appointed the Board of Directors and Board of Statutory Auditors in compliance with the gender balance pursuant to Law 160. These bodies - after appropriate resolutions adopted at the Board meeting held after the Shareholders' Meeting - are composed as follows:

Directors	
Stefano LADO	Chairman
Tommaso CARTONE	Deputy Chairman
Alessandro DECIO	Chief Executive Officer and General Manager (E)[6]
Graziella BOLOGNA	(E)

[6] The names with (E) beside them are Executive Directors pursuant to the Corporate Governance Code for listed companies.

Valentina CASELLA	(I)[7]
Ulrico DRAGONI	(I) (M)[8]
Cristina FINOCCHI MAHNE	(I)
Agostino GAVAZZI	(E)
Egidio GAVAZZI	(E)
Tito GAVAZZI	(E)
Giulia PUSTERLA	(I)
Laura TULLI	(I)

Statutory Auditors

Emiliano BARCAROLI	Chairman (M)
Rodolfo ANGHILERI	Acting Statutory Auditor
Stefania CHIARUTTINI	Acting Statutory Auditor
Stefano ANTONINI	Alternate Statutory Auditor (M)
Silvia RE	Alternate Statutory Auditor
Massimo CELLI	Alternate Statutory Auditor

The role of the 231 Supervisory Body is assigned to the Board of Statutory Auditors pursuant to Legislative Decree 231/2001.

The Board meeting that followed the Shareholders' Meeting also approved the following composition of the Board Committees:

Executive Committee
Agostino GAVAZZI (Chairman)
Graziella BOLOGNA
Alessandro DECIO
Egidio GAVAZZI
Tito GAVAZZI

Risk Control and Sustainability Committee
Cristina FINOCCHI MAHNE (Chairman)
Tommaso CARTONE
Giulia PUSTERLA

Nominations committee
Cristina FINOCCHI MAHNE (Chairman)
Stefano LADO
Laura TULLI

Remuneration committee
Valentina CASELLA (Chairman)
Laura TULLI
Ulrico DRAGONI

Committee for transactions with related parties and associated persons
Giulia PUSTERLA (Chairman)
Valentina CASELLA
Ulrico DRAGONI

Lastly, the Board of Directors resolved to assign the function of Deputy General Manager to Angelo Antoniazzi. With reference to the contents of the Corporate Governance Code and in relation to the termination of Angelo Antoniazzi term of office as General Manager, at the same time taking on the role of Deputy General Manager, it should be noted that he has not been awarded any indemnity or other benefits.

Appointment of the independent auditors for the years 2021 - 2029

The Ordinary Shareholders' Meeting resolved to appoint KPMG S.p.A. as the independent auditors for the period 2021-2029.

[7] The names with (I) beside them meet the independence requirements in accordance with both the Consolidated Finance Act (CFA) and the Corporate Governance Code of listed companies.
[8] The names with (M) beside them were on the minority list that received the most votes.

Outlook

Macroeconomic scenario

In the first quarter of 2020, before the explosion of the Covid-19 health emergency, the recovery of global economic activity was continuing with favourable short-term prospects overall with a reduction in the consensus forecasts on growth and with limited visibility of a prospective scenario. The business cycle had remained moderately expansive in the United States, it had stabilised in Japan, whereas it had weakened in the Eurozone. In emerging countries generally, growth was held back by the strength of the US dollar. Although the phase of expansion began to mature, the risks of a global recession still appeared remote.

In February, the globalisation of markets accelerated the spread of Covid-19 from China to Western countries, starting with Italy. The rapid spread of the contagion took the national health systems off guard, requiring huge efforts to expand medical facilities and industrial conversion to meet the explosion in demand for health equipment needed to counter the emergency. To slow down the pace of the pandemic, all Western countries followed the Chinese example of lockdown, closing economic activities (or making extensive use of smart working, where possible) with the exception of essential services and imposing strict rules of social distancing on the population. The U.S. economy lost 710,000 jobs in early March 2020, marking the first contraction after 113 months of growth: a figure that is far worse than analysts' estimates, which follows the not particularly reassuring surveys carried out in Europe regarding the services sector. In March, the US unemployment rate rose to 4.4% from 3.5% in February: the worst figure since May 2009. And even more worrying numbers are expected in the second quarter. The head of the International Monetary Fund Kristalina Georgieva spoke of a crisis that could prove worse than that of 2008. Italy, which was the first of the EU states to order the closure of the country, had a PMI index in March that was clearly weaker than in February. But no country in Europe has been spared: the PMI index has collapsed even in Spain, the other country badly affected by the pandemic.

The response from governments and central banks both in Europe and the United States was immediate, with plans to provide economic support to citizens who lost their jobs and businesses that saw their earnings fall after the lockdown. In the minutes of the conference call on 18 March 2020, the European Central Bank described the economic shock caused to the Eurozone by Covid-19 as an "*unprecedented situation with repercussions that cannot be foreseen with any precision*" and launched its Euro 750 billion Pandemic Emergency Purchase Programme (PEPP). The document speaks of an "urgent need" to act in the face of widening spreads both in countries with lower ratings and in corporate securities, reflecting a "flight from risk" that was also affecting countries with high ratings. In America too, the Fed launched new programmes to support the economy with 2,300 billion US dollars.

The International Monetary Fund has a negative outlook for the Italian economy. According to the latest update of the World Economic Outlook, GDP could drop by as much as 9.1% in 2020 to then rise by 4.8% in 2021. The IMF thinks that Italy's deficit could rise to 8.3% and public debt to 155.5%. Data from the Eurozone (-7.5%) and all the main Euro area countries were also negative, with Spain expected to drop by -8%, France by -7.2% and Germany by -7%. Globally, Washington expects a drop of -3% as a result of the Covid-19 pandemic, which will cost -5.9% to the US, -6.5% to the United Kingdom, -5.2% to Japan and will limit China to +1.2% growth, followed by a rebound of +9.2% in 2021 (compared with +4.7% in the United States).

The second quarter numbers will be worse than in March. At the moment, we look with interest (and with hope) to China, which is restarting after passing the most critical phase of Covid-19: the expectation is for the economy to restart after production activities have recommenced with fewer restrictions.

Outlook for the current year

The Group's results for the first quarter show a decrease in performance compared with 31 March 2019, first of all in terms of an increase in the cost of credit due to the worsening of the quality of part of the portfolio of loans to customers for which the appropriate interventions were promptly activated in order to adequately manage this moment of transition and provide in any case the correct classification and assessment of the recoverability of exposures. The results were also affected by the slowdown in commercial activity and the further compression of interest rates which influenced the expected trend in core revenues, just as they do not yet incorporate the effects of the action taken to recover margins.

On the basis of the actual figures at 31 March 2020, which reflect the initial impacts of the Covid-19 emergency, it is foreseeable that further impacts expected to take place could significantly affect the Group's results for the year; however, at present, it is reasonable to assume that positive results will be achieved in the current year, providing that the Group's macroeconomic scenario and/or markets of reference express the expected effects of the highly expansionary measures adopted by the competent institutions to support households and businesses and ensure that there is sufficient liquidity in the financial system to avoid as much as possible shortages of liquidity that could turn into insolvencies.

This Report has been prepared on a going-concern basis, considering the main risks and uncertainties mentioned previously.

Basis of preparation

This *"Consolidated quarterly report at 31 March 2020 – Press release"* has been prepared on a voluntary basis, in order to ensure continuity of information with the previous quarterly reports, given that only the annual and half-yearly reports are now compulsory based on the wording of art. 154-*ter*, paragraph 5, of Legislative Decree no. 58/1998 ("Consolidated Finance Act" or "CFA") 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 IAS/IFRS issued by the International Accounting Standards Board (IASB) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), as explained in the "Accounting policies" section of the notes to the consolidated financial statements at 31 December 2019, taking into account the standards that have come into effect in the meantime and which apply at the reporting date.

In terms of financial disclosure, as the consolidated quarterly report has been prepared in accordance with art. 154-*ter*, paragraph 5 CFA 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. In the current context, characterised by rather divergent estimates regarding the severity of the impact that the Covid-19 epidemic will have on the main macroeconomic variables, the Report provides some additional information compared with the previous quarterly financial reports on the main balance sheet items for which the application of certain accounting standards necessarily implies the use of estimates and assumptions that have an effect on the carrying amounts.
In this regard, it is worth recalling that the assumptions underlying the estimates made take into consideration all the information available at the reporting date, as well as the hypotheses that are considered reasonable, also in the light of historical experience. So by their very nature, it is impossible to exclude that the assumptions made, however reasonable, may not be confirmed in the future scenarios in which the Group will operate. Future results could therefore differ from the estimates made for this Report, so adjustments that cannot be foreseen or estimated today may be necessary. Adjustments in the estimates may become necessary, following changes in the circumstances on which they were based, in consideration of new information or greater experience gained.
The main situations in which judgement is required are as follows.
To start with, the determination of expected losses on performing loans implies considerable judgement, with particular reference to the model used for measuring losses and the related risk parameters, to the triggers that are considered to reflect of a significant deterioration in credit, to the choice of macroeconomic scenarios.
In particular, the inclusion of forward looking factors, as required by IFRS 9 Financial Instruments, turns out to be a particularly complex exercise, as it requires the formulation of macroeconomic forecasts, choosing scenarios and the relative probability of occurrence, as well as the definition of a model able to express the relationship between the macroeconomic factors and the default rates of the exposures being assessed.
The following table shows the range of values for the annual changes in the main macroeconomic factors for the two scenarios deemed most likely to influence the expected losses of the Group's performing credit exposures with the probability of occurrence considered as of 31 December 2019.

	Basic scenario		Negative scenario	
Macroeconomic indicators	**Min**	**Max**	**Min**	**Max**
GDP - Italy	1.30	1.32	-1.52	-0.62
Unemployment - Italy	10.51	10.81	11.93	12.68
Inflation - Italy	1.50	1.62	-0.10	0.77
Inflation - Europe	1.53	1.73	0.11	0.51
BTP yield	2.49	2.85	3.72	4.02
3-mth Euribor	-0.13	0.15	0.34	0.54
Probability of occurrence	80%		20%	

Given the speed at which events are taking place, measurement of the Expected Credit Loss (ECL) at 31 March 2020 is particularly challenging as it requires developing an estimate based on the best data available on past events, current conditions and forecasts of future economic conditions. The innumerable interrelationships between the individual macroeconomic factors and as the combined effect of the impacts expected from the measures adopted (a) for the containment and prevention of the epidemic on the one hand and (b) for the support of the financial needs of households and businesses on the other, currently make it particularly hazardous to reflect the impact of Covid-19 on the models.

Pending the publication by the European Central Bank of the updated macroeconomic scenarios to be considered in the IFRS 9 models (scheduled for this June), for the calculation of the collective adjustment at 31 March 2020 the bank has temporarily adopted post-model overlays by adopting specific add-ons for certain counterparties with which it increased the adjustments on the performing portfolio by approximately Euro 1.3 million, gross of the related tax effect, without prejudice to the fact that it continues to monitor the economic and social context for any new information that may emerge for future evaluations. The Bank also thought it reasonable to carry out a sensitivity analysis considering a 100% probability of occurrence of the negative scenario which would result in a further increase in adjustments to the performing portfolio for approximately Euro 3.6 million, gross.
The determination of expected losses on non-performing loans also implies significant elements of judgement, with particular reference to the estimate of the flows deemed recoverable and the timing of recovery. During the quarter, there was a deterioration in the quality of part of the customer loan portfolio (substantially due to the slowdown in collections) for which the appropriate interventions were promptly activated in order to manage the moment of transition linked to Covid-19 and, in any case, ensure the correct classification and assessment of recoverability of the exposures classified as non-performing, with a consequent significant increase in the cost of credit compared with the comparative period.
Significant elements of judgement are also required in updating of the valuation models used for carrying out the impairment tests relating to equity investments and intangible assets with an indefinite life (goodwill) and the valuation models used to verify that future taxable profits are sufficient to allow the recovery of deferred tax assets not falling within the scope of Law 214/2011 (so-called probability test).
In this regard, the same considerations already applied with reference to the macroeconomic scenarios, subject to continuous updating by the competent institutions and agencies, which at the moment are not yet able to make forecasts of the main macroeconomic quantities that can be used to update the Group's forecasts. This is because they are affected by a significant increase in subjectivity due to the contingent need to try and express the complex interrelationships of the economic-financial shock caused by the epidemic and the highly expansionary measures to support households and businesses and to ensure that there is sufficient liquidity in the financial system to avoid as much as possible shortages of liquidity that could turn into insolvencies.
The Bank has in any case carried out a first simulation about the future performance of the Group in 2020 and 2021 which, considering the scenario of the crisis at the beginning of March, could not yet take into account the positive effects that may derive from the government's interventions in favour of households and businesses affected by the crisis, as well as the extraordinary monetary measures adopted by the Governing Council of the European Central Bank to allow banks to provide liquidity to businesses, in addition to the new PEPP. On the basis of the severe assumptions underlying the quantitative analyses carried out, it was possible to demonstrate that the Bank could still maintain higher prudential ratios than those assigned to it with the current SREP provision, as well as the resilience of the business model which remains confirmed despite Italy's downgrade to BBB- with stable outlook communicated by Fitch on 29 April 2020.
In the process of defining the new business plan, which will be adopted by the new Board of Directors, it will also be appropriate to consider the expansionary measures mentioned previously. As soon as there are conditions of greater stability in the variables relating to the macroeconomic scenarios, hopefully in good time for the preparation of the half-yearly financial report, we will be able to make a more consistent estimate of the future performance of the Group, which also takes into account the potential effects of policies to combat the shock from Covid-19 on production activities and aggregate demand.
The use of significant elements of judgement in the valuation of the financial instruments in portfolio is to be considered somewhat marginal in consideration of the fact that the Bank continues to maintain a very prudent allocation. So the use of valuation models to measure the fair value of financial instruments not listed on active markets (Level 3), substantially attributable to UCITS, concerns a minimal portion of the investments held.
Lastly, it is not possible to exclude in the medium term possible effects on the measurement at fair value of the entire securities portfolio in consideration of the recent downgrade of Italy's rating to an extent that it is not possible to estimate reliably at this stage, given the high level of volatility in financial markets as a result of the pandemic.

The Report is subject to a limited audit by Deloitte & Touche S.p.A. in order to calculate the portion of the interim result to be included in own funds; for this reason, 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"* .

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, 7 May 2020

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

Financial Reporting Manager
Mauro Walter Colombo

***

The attached consolidated financial schedules at 31 March 2020 are an integral part of the consolidated quarterly report at 31 March 2020. Deloitte & Touche 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, 7 May 2020

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

The Chairman
Stefano Lado

***

Investor Relator
Giorgio Federico Rossin

Tel. 0362/613.469
Mobile 335/7764435
Fax 0362/613.219
g.rossin@bancodesio.it

General and
Corporate Secretariat

Tel. 0362/613.214
Fax 0362/613.219
segreteriag@bancodesio.it

Marco Rubino di Musebbi
Community Srl
Communication consultancy
Tel. 02.89404231
Mobile 335.6509552
Fax 02.8321605
marco.rubino@communitygroup.it

ATTACHMENT

Table A 1 – Consolidated balance sheet

Assets	31.03.2020	31.12.2019	Change amount	Change %
10. Cash and cash equivalents	47,852	60,816	(12,964)	-21.3%
20. Financial assets designated at fair value through profit or loss	41,407	44,063	(2,656)	-6.0%
a) Financial assets held for trading	4,117	5,807	(1,690)	-29.1%
c) Other financial assets mandatorily measured at fair value	37,290	38,256	(966)	-2.5%
30. Financial assets designated at fair value through other comprehensive income	474,653	559,634	(84,981)	-15.2%
40. Financial assets measured at amortised cost	13,097,945	12,949,705	148,240	1.1%
a) Due from banks	1,110,388	915,019	195,369	21.4%
b) Loans to customers	11,987,557	12,034,686	(47,129)	-0.4%
50. Hedging derivatives	-	-	-	0.0%
60. Adjustment to financial assets with generic hedge (+/-)	609	624	(15)	-2.4%
90. Property, plant and equipment	222,930	226,305	(3,375)	-1.5%
100. Intangible assets	18,092	18,194	(102)	-0.6%
of which:				
- goodwill	15,322	15,322		
110. Tax assets	200,506	202,765	(2,259)	-1.1%
a) current	7,635	7,812	(177)	-2.3%
b) deferred	192,871	194,953	(2,082)	-1.1%
130. Other assets	105,265	129,956	(24,691)	-19.0%
Total assets	**14,209,259**	**14,192,062**	**17,197**	**0.1%**

Liabilities and shareholders' equity	31.03.2020	31.12.2019	Change amount	Change %
10. Financial liabilities measured at amortised cost	12,806,993	12,850,498	(43,505)	-0.3%
a) Due to banks	1,601,223	1,603,208	(1,985)	-0.1%
b) Due to customers	9,535,361	9,498,187	37,174	0.4%
c) Debt securities in issue	1,670,409	1,749,103	(78,694)	-4.5%
20. Financial liabilities held for trading	7,806	8,138	(332)	-4.1%
40. Hedging derivatives	2,042	2,157	(115)	-5.3%
60. Tax liabilities	14,627	15,816	(1,189)	-7.5%
a) current	17	-	17	
b) deferred	14,610	15,816	(1,206)	-7.6%
80. Other liabilities	350,919	289,279	61,640	21.3%
90. Provision for termination indemnities	23,786	25,480	(1,694)	-6.6%
100. Provisions for risks and charges	36,491	35,582	909	2.6%
a) commitments and guarantees given	2,783	2,734	49	1.8%
c) other provisions for risks and charges	33,708	32,848	860	2.6%
120. Valuation reserves	41,755	45,373	(3,618)	-8.0%
150. Reserves	832,897	792,741	40,156	5.1%
160. Share premium reserve	16,145	16,145		
170. Share capital	70,693	70,693		
190. Minority interests (+/-)	4	4		
200. Net profit (loss) for the period (+/-)	5,101	40,156	(35,055)	-87.3%
Total liabilities and shareholders' equity	**14,209,259**	**14,192,062**	**17,197**	**0.1%**

Table A 2 – Consolidated income statement

Captions		31.03.2020	31.03.2019	Change amount	%
10.	Interest and similar income	64,077	66,423	(2,346)	-3.5%
20.	Interest and similar expense	(10,307)	(10,751)	444	-4.1%
30.	**Net interest income**	**53,770**	**55,672**	**(1,902)**	**-3.4%**
40.	Commission income	45,053	41,933	3,120	7.4%
50.	Commission expense	(4,490)	(3,909)	(581)	14.9%
60.	**Net commission income**	**40,563**	**38,024**	**2,539**	**6.7%**
70.	Dividends and similar income	561	457	104	22.8%
80.	Net trading income	629	755	(126)	-16.7%
90.	Net hedging gains (losses)	-	(16)	16	-100.0%
100.	Gains (losses) on disposal or repurchase of:	2,866	800	2,066	258.3%
	a) financial assets measured at amortised cost	865	10	855	n.s.
	b) financial assets designated at fair value through other comprehensive income	2,013	799	1,214	151.9%
	c) financial liabilities	(12)	(9)	(3)	33.3%
110.	Net result of other financial assets and liabilities designated at fair value through profit or loss	(1,480)	1,420	(2,900)	n.s.
	b) other financial assets mandatorily measured at fair value	(1,480)	1,420	(2,900)	n.s.
120.	**Net interest and other banking income**	**96,909**	**97,112**	**(203)**	**-0.2%**
130.	Net value adjustments/write-backs for credit risk relating to:	(18,054)	(8,224)	(9,830)	119.5%
	a) financial assets measured at amortised cost	(18,079)	(8,318)	(9,761)	117.3%
	b) financial assets designated at fair value through other comprehensive income	25	94	(69)	-73.4%
140.	Profit/losses from contractual changes without write-offs	(126)	71	(197)	n.s.
150.	**Net profit from financial activities**	**78,729**	**88,959**	**(10,230)**	**-11.5%**
180.	**Net profit from financial and insurance activities**	**78,729**	**88,959**	**(10,230)**	**-11.5%**
190.	Administrative costs:	(73,396)	(72,838)	(558)	0.8%
	a) payroll costs	(42,434)	(42,016)	(418)	1.0%
	b) other administrative costs	(30,962)	(30,822)	(140)	0.5%
200.	Net provisions for risks and charges	(1,280)	(923)	(357)	38.7%
	a) commitments for guarantees given	(55)	(815)	760	-93.3%
	b) other net provisions	(1,225)	(108)	(1,117)	n.s.
210.	Net adjustments to property, plant and equipment	(4,383)	(4,473)	90	-2.0%
220.	Net adjustments to intangible assets	(304)	(333)	29	-8.7%
230.	Other operating charges/income	8,410	9,527	(1,117)	-11.7%
240.	**Operating costs**	**(70,953)**	**(69,040)**	**(1,913)**	**2.8%**
260.	Net result of the measurement at fair value of property, plant and equipment and intangible assets	-			n.s.
290.	**Profit (loss) from current operations before tax**	**7,776**	**19,919**	**(12,143)**	**-61.0%**
300.	Income taxes on current operations	(2,675)	(7,345)	4,670	-63.6%
310.	**Profit (loss) from current operations after tax**	**5,101**	**12,574**	**(7,473)**	**-59.4%**
330.	**Net profit (loss) for the period**	**5,101**	**12,574**	**(7,473)**	**-59.4%**
340.	Net profit (loss) pertaining to minority interests	-	(561)	561	-100.0%
350.	**Parent Company net profit (loss)**	**5,101**	**12,013**	**(6,912)**	**-57.5%**

Table A 3 – Statement of Consolidated Comprehensive Income

	Captions	31.03.2020	31.03.2019
10.	**Net profit (loss) for the period**	**5,101**	**12,574**
	Other elements of income, net of income taxes without reversal to income statement		
70.	Defined-benefit pension plans	1,054	(710)
	Other elements of income, net of income taxes with reversal to income statement		
120.	Cash-flow hedges	76	(199)
140.	Financial assets (other than equities) designated at fair v alue through other comprehensiv e income	(4,748)	336
170.	**Total other elements of income (net of income taxes)**	**(3,618)**	**(573)**
180.	**Total comprehensive income (Captions 10+170)**	**1,483**	**12,001**
190.	Total comprehensiv e income pertaining to minority interests	-	(526)
200.	**Total consolidated comprehensive income pertaining to Parent Company**	**1,483**	**11,475**

Table A 4 – Statement of changes in consolidated shareholders' equity for the period 1 January – 31 March 2020

	Balance at 31.12.2019	Changes in opening balances	Balance at 01.01.2020	Allocation of prior year results		Changes during the year									Group shareholders' equity at 31.03.2020	Minority interests at 31.03.2020
							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 31.03.2020		
Share capital:																
a) ordinary shares	63,828		63,828												63,828	
b) other shares	6,865		6,865												6,865	
Share premium reserv e	16,145		16,145												16,145	
Reserv es:																
a) from profits	768,080		768,080	44,887											812,967	
b) other	24,665		24,665	(4,731)											19,930	4
Valuation reserv es:	45,373		45,373											(3,618)	41,755	
Equity instruments																
Treasury shares																
Net profit (loss) for the period	40,156		40,156	(40,156)										5,101	5,101	
Group shareholders' equity	**965,108**		**965,108**											**1,483**	**966,591**	
Minority interests	**4**		**4**													**4**

Table A 5 – Statement of changes in consolidated shareholders' equity for the period 1 January – 31 March 2019

	Balance at 31.12.2018	Changes in opening balances	Balance at 01.01.2019	Allocation of prior year results		Changes during the year									Group shareholders' equity at 31.03.2019	Minority interests at 31.03.2019
							Transactions on shareholders' equity							Comprehensive income at 31.03.2019		
				Riserve	Dividendi e altre destinazioni	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			
Share capital:																
a) ordinary shares	60,840		60,840												60,840	
b) other shares	6,865		6,865												6,865	
Share premium reserv e	16,145		16,145												16,145	
Reserv es:																
a) from profits	748,003		748,003	19,810											767,813	
b) other	22,982		22,982	4,840											(14,675)	42,497
Valuation reserv es:	44,927		44,927											(573)	43,382	972
Equity instruments																
Treasury shares																
Net profit (loss) for the period	36,558		36,558	(24,650)	(11,908)									12,574	12,013	561
Group shareholders' equity	**892,054**		**892,054**		**(11,146)**									**11,475**	**892,383**	
Minority interests	**44,266**		**44,266**		**(762)**									**526**		**44,030**

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: net profit (loss) for the period***
Balances of the Parent Company Banco Desio	***959,671***	***6,435***
Effect of consolidation of subsidiaries	6,920	291
Dividends declared during the period	-	-1,625
Consolidated balance of the Banco Desio Group	**966,591**	**5,101**

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	**5,101**
Elements deducted	2,574
- proposed dividends to shareholders of the Bank (40% pay-out)	*2,574*
Net profit attributable to Tier 1 capital in Own Funds	**2,527**