Gruppo Banco Desio

PRESS RELEASE

CONSOLIDATED RESULTS AT 30 SEPTEMBER 2020

The Board of Directors of Banco di Desio e della Brianza S.p.A. has approved this "Consolidated Quarterly Report at 30 September 2020"

Further capital strengthening due to portfolio repositioning, ROE better than in the first half at 3.8% and volumes of loans and deposits in progressive growth. Result of operations up by 0.8%, thanks to cost containment measures (-3.3% despite the extraordinary costs incurred for the Covid-19 emergency). Profitability impacted by prudential action on provisions especially for performing loans. Asset quality ratios and coverage above average for the system.

PROFITABILITY

- ✓ **CONSOLIDATED NET PROFIT of Euro 26.5 million with an annualised ROE of 3.8%, confirming the resilience of the Banco Desio Group, despite a cost of credit of Euro 43.1 million (+13.3%), which includes the economic projections of the Covid-19 epidemic in the risk models. Result of operations up (+0.8%) with a gap on income (-2.1%) more than offset by the steps to reduce costs (-3.3%)**

CAPITAL SOLIDITY [1]

- ✓ **CAPITAL STRENGTHENING due to the de-risking carried out on the portfolio and regulatory interventions implemented by the European Union.**

Ratios[2]	Banco Desio Brianza	Banco Desio Group	Brianza Unione Group[3]
CET 1	15.20%	14.04%	10.91%
TIER 1	15.21%	14.05%	11.72%
Total Capital	15.72%	14.52%	12.95%

SUPPORT FOR THE ECONOMY

- ✓ **Almost 26 thousand "Covid-19" moratorium requests processed for over Euro 3.0 billion[4]**
- ✓ **About 17 thousand requests from businesses for liquidity approved for a total of Euro 1.8 billion ("DL Liquidità")**
- ✓ **LOANS TO ORDINARY CUSTOMERS stood at Euro 10.1 billion (+5.9%), rising strongly in the third quarter because of new loans to businesses**
- ✓ **DIRECT DEPOSITS up, confirming the strong relationship with customers, equal to Euro 11.5 billion (+2.9%) and INDIRECT DEPOSITS of Euro 16.0 billion (+2.6%, of which ORDINARY CUSTOMERS +0.5 % despite the negative market effect)**
- ✓ **Ordinary customer loans/Direct deposits ratio of 88.0% vs 85.5%**

LIQUIDITY AND ASSET QUALITY

- ✓ **LIQUIDITY well under control with the liquidity coverage ratio (LCR) at 214.9% (vs 179.8% at 31.12.2019)**
- ✓ **LEVELS OF COVERAGE of non-performing and performing loans increasing**

  Doubtful loans at 62.1%, 63.7% gross of write-offs (61.5% and 63.1% at 31.12.2019)

  Non-performing loans at 48.5% (vs 45.5%), 49.7% gross of write-offs (vs 46.7%)

  Performing loans at 0.57% (vs 0.49%)
- ✓ **INCIDENCE OF NPLs:**

  Net doubtful loans/Net loans ratio at 1.2% (vs 1.3% at 31.12.2019)

  Gross doubtful loans/Gross loans ratio at 3.1% (vs 3.1%)

  Net non-performing loans/Net loans ratio of 3.2% (vs 3.6%)

  Gross non-performing loans/Gross loans ratio of 6.0% (vs 6.3%)

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[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 21 May 2020, the following minimum capital requirements have been assigned to the Brianza Unione Group for CRR purposes, following completion of the Supervisory Review and Evaluation Process (SREP): CET1 ratio of 7.35%, binding - pursuant to art. 67-ter TUB - for 4.85% (minimum regulatory requirement of 4.5% and additional requirements of 0.35%) with the difference represented by the capital conservation buffer, Tier1 ratio of 8.95%, binding for 6.45% (minimum regulatory requirement of 6.0% and additional requirements of 0.45%) with the difference represented by the capital conservation buffer, and Total Capital Ratio of 11.1%, binding for 8.6% (minimum regulatory requirement of 8% and additional requirements of 0.6%) with the difference represented by the capital conservation buffer.

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

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

[4] Based on the latest information available in October.

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The Board of Directors of Banco di Desio e della Brianza S.p.A., which met on 29 October 2020, approved the "Consolidated quarterly report on operations at 30 September 2020" (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 reported in the section below entitled "Basis of preparation".

The results of the period are influenced by the health crisis caused by the spread, from the end of February, of the Covid-19 virus whose effects on the economy in general and on the results of the activity and on the overall financial performance of the Banco Desio Group remains uncertain, as they depend on potential developments in future scenarios.

We highlight the specific information dedicated to the description of the context in which this financial information was prepared, strongly affected by the pandemic, as well as the significant risks and uncertainties related to it that could have an impact, even a material impact, on the expected results, which depend on many factors that are beyond management's control.

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

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.

Information on Covid-19

The viral pneumonia known as "Covid-19", or more commonly "Coronavirus", has had a significant international spread, with consequences on economic activity, also due to the containment and prevention measures adopted in different forms in the various countries, including restrictions on movement, social distancing, quarantine measures and closures of business activities.

In addition to the health emergency, today we are also witnessing an economic crisis in which certain sectors of the real economy are hit harder than others, with consequent impacts on activities in the area where the Banco Desio Group operates.

Given the potential repercussions (contraction of GDP, increase in the credit risk of bank portfolios, reduction of liquidity for the economic-financial system, decrease in the capital ratios of banks), during the period the European and national authorities prepared a series of interventions to provide economic sustenance to households and businesses, to encourage support for the real economy by the banks, to promote liquidity in the Italian financial system and guarantee its stability.

As reported in the interim financial report at 30 June 2020 to which reference should be made, the Banco Desio Group implemented a series of measures, both internally and externally, to address the implications of the Covid-19 epidemic, whose negative effects on the economic-financial situation are the main factors of uncertainty affecting the future scenarios in which the Group will have to operate.

As regards worker safety, in relation to the strategic initiatives adopted, the key measures introduced during the year are listed below.

- Remote work: this was introduced for Banco Desio Group Head Office Personnel and also for certain people in the Commercial Network, taking care to safeguard the continuity of service to customers; this way of working from home, which was promptly adopted, did much to mitigate the risk of contagion. Remote work was made possible by strengthening the technology infrastructure.
- Branch closures: the time limit for the provision of services to customers was communicated to customers from time to time through notices outside branches and information posted on the home page of the parent company's institutional website, reminding them that there were alternative channels to the traditional branch, such as ATMs and a revamped Web Banking service.
- Answers to employees and customers: in the most critical phase of the epidemic, an additional telephone service was set up to serve customers and Group employees. The service included a support plan through a dedicated team that provided answers on corporate procedures, information and customer services. Support was provided through a dedicated e-mail address for colleagues' requests and a special telephone number for customers.
- Information to branches: Group personnel were constantly updated on any developments in the emergency and on how to adopt the prevention protocols. Signs were also prepared as required to be placed in branches for the benefit of colleagues and customers.
- Procurement and cleaning: cleaning has been and is still carried out on a more rigorous basis than usual (every day, with the use of specific sanitizing products); protection masks, hand sanitizing gel and disposable gloves are distributed in all Head Office and Network structures. Plexiglass protection screens have been installed at cash desks.
- Information for staff: with the evolution of the health emergency and the containment measures ordered by the national and regional authorities as a result, detailed indications on company provisions were made available to all staff and kept constantly updated; the attention to internal communication was also highlighted through a dedicated newsletter.

Business continuity management ensured the operational continuity of critical and systemic processes and all necessary measures were put in place in terms of logical and physical safety of accesses.

From a commercial point of view, given that we understood the strong economic impact of the epidemic on people and companies and in line with our values as a territorial bank, close to households and businesses, we took the following action to support our customers: extension of the "ABI Credit Agreement 2019" in favour of companies, steps to support corporate and retail customers such as suspension of the principal portion of mortgages for 6 or 12 months, free renegotiation fees where applicable, no change in the rates and charges applied, non-compulsory extension of the explosion-fire insurance coverage for mortgage and land loans.

The Group then shared and promoted the support measures introduced by the "DL Cura Italia" of 17 March 2020 and the "DL Liquidità" of 8 April 2020, and subsequent amendments and additions. In order to facilitate and not hinder this process and at the same time to protect the health of customers and colleagues, an innovative procedure was activated, a remote service for the collection of requests in a simplified manner by certified e-mail (PEC) and subsequently by digital signature. This and other measures made it possible to significantly reduce the presence of colleagues in branches.

On the subject of credit and loans, the social and economic emergency led to the need for proactive credit risk management. To this end, a series of initiatives were put in place to provide support to customers and to monitor requests and their stage of processing on a daily basis. All loan operations carried out by the Bank as a result of the health emergency have been appropriately coded so that we can govern and monitor the situation day-by-day. The concessions or suspensions carried out for legislative "Covid" purposes have not been classified as forborne (according to the indications provided by the supervisory authorities). In the case of a moratorium decided by the Bank, specific assessments are carried out only for positions with companies that already had a higher level of risk before the outbreak of the pandemic, to verify whether or not to consider renegotiation as a forbearance measure, with a consequent transfer to stage 2. To assess how the macroeconomic scenario is likely to evolve, estimates of impacts on the sector and the tools available to deal with the crisis and the new scenario that will emerge at the end of the emergency were examined in depth.

As of 30 September, the Banco Desio Group has granted:

a) legislative moratoriums with reference to approximately 11 thousand instalment financing relationships with a total exposure of Euro 1.2 billion,

b) ABI/Assofin moratoriums with reference to over 1,000 relationships for a total exposure of Euro 0.2 billion,

c) moratoriums granted by the Bank outside the ambit of the decree and ABI for more than 12 thousand relationships with a total exposure of approximately Euro 1.6 billion (of which over 8 thousand for Euro 0.7 billion of exposure to retail customers with the remainder being to non-financial companies),

d) loans of up to Euro 30 thousand backed 100% by the Guarantee Fund for SMEs (art. 13 of the “DL Liquidità”) equal to approximately 12,000 relationships for a total of over Euro 0.2 billion,

e) loans of more than Euro 30 thousand backed by the Guarantee Fund for SMEs (art. 13 of the “DL Liquidità”) or by a SACE guarantee for approximately 3,000 relationships totalling approximately Euro 1 billion.

Considering the climate of considerable uncertainty resulting from this situation, in preparing the Report, we have taken into account the recommendations contained in a series of documents published by various international institutions (ESMA, EBA, ECB-SSM, IFRS Foundation), aimed at avoiding a mechanical application of international 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 the credit losses expected during the pandemic.

This report provides information with reference to the main items in the financial statements for which the application of certain accounting standards necessarily implies the use of estimates and assumptions with an effect on the related carrying amounts. The report also provides the information requested by Consob with Recommendations no. 6/2020 "Covid 19 - Calling attention to financial disclosures" and no. 8/2020 "Covid 19 - Calling attention to financial disclosures", and in particular:

- a summary of the initiatives undertaken by the Banco Desio Group,
- a description of the implications of the Covid-19 epidemic on the main balance sheet items,
- a representation of the effects on the expected loss measurement models.

This report therefore contains specific information relating to the application of the IFRS adopted by the Group (see the section below entitled "Basis of preparation"). Further and more up-to-date qualitative and/or quantitative indications of the actual and potential impacts of Covid-19 on the Group's 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	30.09.2020	31.12.2019	Change amount	Change %
Total assets	15,070,174	14,192,062	878,112	6.2%
Financial assets	3,576,077	3,365,922	210,155	6.2%
Due from banks [1]	748,290	619,794	128,496	20.7%
Loans to customers [1]	10,131,976	9,567,686	564,290	5.9%
Property, plant and equipment [2]	218,691	226,305	-7,614	-3.4%
Intangible assets	18,275	18,194	81	0.4%
Due to banks	1,991,180	1,603,208	387,972	24.2%
Due to customers [3]	9,912,196	9,445,899	466,297	4.9%
Debt securities in issue	1,604,640	1,749,103	-144,463	-8.3%
Shareholders' equity (including Net profit/loss for the period)	976,950	965,108	11,842	1.2%
Own Funds	1,028,313	1,038,147	-9,834	-0.9%
Total indirect deposits	15,960,868	15,562,375	398,493	2.6%
of which: Indirect deposits from ordinary customers	*9,770,549*	*9,721,680*	*48,869*	*0.5%*
of which: Indirect deposits from institutional customers	*6,190,319*	*5,840,695*	*349,624*	*6.0%*

[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 47.3 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	30.09.2020	30.09.2019	Change amount	Change %
Operating income	292,090	298,304	-6,214	-2.1%
of which: Net interest income	*158,860*	*159,347*	*-487*	*-0.3%*
Operating costs	204,686	211,564	-6,878	-3.3%
Result of operations	87,404	86,740	664	0.8%
Profit (loss) from continuing operations after tax	28,484	33,814	-5,330	-15.8%
Non-recurring profit (loss) after tax	-1,974	-154	-1,820	n.s.
Net profit (loss) for the period	26,510	33,660	-7,150	-21.2%

[4] from the reclassified income statement.

Table 3 – Key figures and ratios

	30.09.2020	31.12.2019	Changes
Capital/Total assets	6.5%	6.8%	-0.3%
Capital/Loans to customers	9.6%	10.1%	-0.5%
Capital/Due to customers	9.9%	10.2%	-0.3%
Capital / Debt securities in issue	60.9%	55.2%	5.7%
Common Equity Tier 1 (CET 1)/Risk-weighted assets *(Common Equity Tier 1 ratio)* (5) (6)	14.0%	13.0%	1.0%
Core Tier 1 capital (T1)/Risk-weighted assets (Tier 1 ratio) (5) (6)	14.1%	13.0%	1.1%
Total Own Funds/Risk-weighted assets *(Total capital ratio)* (5) (6)	14.5%	13.7%	0.8%
Financial assets/Total assets	23.7%	23.7%	0.0%
Due from banks/Total assets	5.0%	4.4%	0.6%
Loans to customers/Total assets	67.2%	67.4%	-0.2%
Loans to customers/Direct customer deposits	88.0%	85.5%	2.5%
Due to banks/Total assets	13.2%	11.3%	1.9%
Due to customers/Total assets	65.8%	66.6%	-0.8%
Debt securities in issue/Total assets	10.6%	12.3%	-1.7%
Direct customer deposits / Total assets	76.4%	78.9%	-2.5%
	30.09.2020	**30.09.2019**	**Changes**
Cost/Income ratio	70.1%	70.9%	-0.8%
Net interest income/Operating income	54.4%	53.4%	1.0%
Result of operations/Operating income	29.9%	29.1%	0.8%
Profit (loss) from continuing operations after tax/Capital (7) (8)	4.0%	4.9%	-0.9%
ROE (7) - annualised (8) (9)	3.8%	4.3%	-0.5%
Profit (loss) from operations before tax/Total assets (ROA) (8)	0.4%	0.5%	-0.1%
	30.09.2020	**31.12.2019**	**Changes**
Net doubtful loans/Loans to customers	1.2%	1.3%	-0.1%
Net non-performing loans/Loans to customers	3.2%	3.6%	-0.4%
% coverage of doubtful loans	62.1%	61.5%	0.6%
% Coverage of doubtful loans, gross of cancellations	63.7%	63.1%	0.6%
% Total coverage of non-performing loans	48.5%	45.5%	3.0%
% Coverage of non-performing loans, gross of cancellations	49.7%	46.7%	3.0%
% Coverage of performing loans	0.57%	0.49%	0.08%

Table 4 – Structure and productivity ratios

	30.09.2020	31.12.2019	Change amount	Change %
Number of employees	2,191	2,198	-7	-0.3%
Number of branches	253	257	-4	-1.6%
Amounts in thousands of Euro				
Loans and advances to customers per employee (10)	4,617	4,342	275	6.3%
Direct deposits from customers per employee (10)	5,248	5,081	167	3.3%
	30.09.2020	**30.09.2019**	**Change amount**	**Change %**
Operating income per employee (10) - annualised (8)	177	181	-4	-2.2%
Result of operations per employee (10) - annualised (8)	53	53	0	0.0%

(5) Consolidated capital ratios for Banco Desio. The ratios for the scope of consolidation for regulatory purposes at Brianza Unione level at 30 September 2020 are: Common Equity Tier1 10.9%; Tier 1 11.7%; Total capital ratio 12.9%.

(6) Capital ratios at 30 September 2020 are calculated in application of the transitional arrangements introduced by EU Regulation 2017/2395; the ratios calculated without application of these provisions are the following: Common Equity Tier1 13.43%; Tier 1 13.44%; Total capital ratio 13.92%

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

(8) the amount reported at 30 September 2019 is the final figure at the end of 2019 and at 30 September 2020 the amount is annualised;

(9) the annualised ROE at 30 September 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 profit for the period has decreased by 7.2 million (-21.2%), hit mainly by the effect of the change in economic scenario on the cost of credit and net adjustments to securities.

Table 5 – Reclassified consolidated income statement

Captions				Change	
Amounts in thousands of Euro		30.09.2020	30.09.2019	Amount	%
10+20	Net interest income	158,860	159,347	-487	-0.3%
70	Dividends and similar income	1,759	1,049	710	67.7%
40+50	Net commission income	120,718	124,446	-3,728	-3.0%
80+90+100 +110	Net result of financial assets and liabilities	8,175	6,101	2,074	34.0%
230	Other operating income/expense	2,578	7,361	-4,783	-65.0%
	Operating income	**292,090**	**298,304**	**-6,214**	**-2.1%**
190 a	Payroll costs	-124,984	-128,506	3,522	-2.7%
190 b	Other administrative costs	-72,585	-75,277	2,692	-3.6%
210+220	Net adjustments to property, plant and equipment and intangible assets	-7,117	-7,781	664	-8.5%
	Operating costs	**-204,686**	**-211,564**	**6,878**	**-3.3%**
	Result of operations	**87,404**	**86,740**	**664**	**0.8%**
130a+100a	Cost of credit	-43,067	-38,024	-5,043	13.3%
130 b	Net adjustments to securities owned	-106	2,631	-2,737	n.s.
140	Profit/losses from contractual changes without write-offs	266	-161	427	n.s.
200 a	Net provisions for risks and charges - commitments and guarantees given	-2,437	-569	-1,868	328.3%
200 b	Net provisions for risks and charges - other	-957	291	-1,248	n.s.
	Profit (loss) from continuing operations before tax	**41,103**	**50,908**	**-9,805**	**-19.3%**
300	Income taxes on continuing operations	-12,619	-17,094	4,475	-26.2%
	Profit (loss) from continuing operations after tax	**28,484**	**33,814**	**-5,330**	**-15.8%**
260	Net result of the measurement at fair value of property, plant and equipment and intangible assets	0	-260	260	-100.0%
	Provisions for risks and charges, other provisions, one-off expenses and revenue	-2,941	-78	-2,863	n.s.
	Non-recurring result before tax	**-2,941**	**-338**	**-2,603**	**770.1%**
	Income taxes from non-recurring items	967	184	783	425.5%
	Non-recurring profit (loss) after tax	**-1,974**	**-154**	**-1,820**	**n.s.**
330	**Net profit (loss) for the period**	**26,510**	**33,660**	**-7,150**	**-21.2%**
340	Minority interests	0	0	0	n.s.
350	**Profit (Loss) for the period pertaining to the Parent Company**	**26,510**	**33,660**	**-7,150**	**-21.2%**

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

Operating income

Core revenues have decreased by about Euro 6.2 million compared with the previous period (-2.1%), coming in at Euro 292.1 million. The trend is mainly attributable to the contraction of *net interest income* for 0.5 million (-0.3%), *net commission income* for Euro 3.7 million (-3.0%), *other operating income/expense* for Euro 4.8 million (-65.0%), partially offset by the increase in *net results of financial assets and liabilities* for Euro 2.1 million (+34.0%) and *dividends* for Euro 0.7 million (+67.7%).

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 204.7 million and have decreased, with respect to the comparative period, by Euro 6.9 million (-3.3%).

Payroll costs have decreased by 2.7% on the prior period, as have other administrative expenses which have gone down by Euro 2.7 million (-3.6%); The balance of net adjustments to property, plant and equipment and intangible assets came to Euro 7.1 million (-8.5%).

Result of operations

The *result of operations* at 30 September 2020 therefore came to Euro 87.4 million, Euro 0.7 million up on the prior period (+0.8%).

Net profit (loss) from operations after tax

The *result of operations* of Euro 87.4 million leads to a *net profit (loss) from operations after tax* of Euro 28.5 million, 15.8% down on the Euro 33.8 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 43.1 million (formerly Euro 38 million in the third quarter of the previous year);
- negative *net adjustments to proprietary securities* of Euro 0.1 million (positive for Euro 2.6 million in the comparative period);
- net provisions for risks and charges of Euro 3.4 million euro (Euro 0.3 million in the comparative period);
- income taxes on continuing operations of Euro 12.6 million (formerly Euro 17.1 million).

Result of non-recurring items after tax

At 30 September 2020 there was a non-recurring loss after tax of Euro 2.0 million (versus Euro 0.2 million). This item basically consists of:

- the revenue component of Euro 0.4 million relating to the substantial change in a financial instrument subscribed by the bank as part of the interventions made to support the banking system;
- the Euro 1.1 million charge for the extraordinary contribution to the SRM requested by the national resolution authority on 11 June 2020;
- the Euro 2.2 million charge based on an estimate of the additional component of the DGS contribution that will be requested by the Interbank Deposit Protection Fund in December 2020.

net of the related tax effects of Euro 1 million.

The negative result of Euro 0.2 million in the comparative period is mainly made up of:

- the revenue component of Euro 1.5 million relating to an insurance refund received.
- the Euro 1.6 million charge for the extraordinary contribution to the SRM requested by the national resolution authority on 7 June 2019;
- the net result of the measurement of the works of art at fair value (negative for Euro 0.3 million)

net of the related (positive) tax effects of Euro 0.2 million.

Net profit (loss) for the period

The total of the *profit from operations* and the *non-recurring profit*, leads to a net profit at 30 September 2020 of Euro 26.5 million.

Captions		As per financial statements	Reclassifications									Reclassified income statement
Amounts in thousands of Euro		30.09.2020	Measurement effects on non-performing loans	Fides brokerage commission	Tax/expense recoveries	Expected loss on securities at amortized cost	Depreciation 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	30.09.2020
10+20	Net interest income	164,423	-4,217	-2,149						803		158,860
70	Dividends and similar income	1,759										1,759
40+50	Net commission income	118,569		2,149								120,718
80+90+100 +110	Net result of financial assets and liabilities	4,609						3,926	-360			8,175
230	Other operating income/expense	26,366			-24,916		1,128					2,578
	Operating income	**315,726**	**-4,217**	**0**	**-24,916**	**0**	**1,128**	**3,926**	**-360**	**803**	**0**	**292,090**
190 a	Payroll costs	-124,991							7			-124,984
190 b	Other administrative costs	-92,052			24,916				3,294	-8,743		-72,585
210+220	Net adjustments to property, plant and equipment and intangible assets	-13,929					-1,128			7,940		-7,117
	Operating costs	**-230,972**	**0**	**0**	**24,916**	**0**	**-1,128**	**0**	**3,301**	**-803**	**0**	**-204,686**
	Result of operations	**84,754**	**-4,217**	**0**	**0**	**0**	**0**	**3,926**	**2,941**	**0**	**0**	**87,404**
130a+100a	Cost of credit	-43,466	4,217			148		-3,926	-40			-43,067
130 b	Net adjustments to securities owned	42				-148						-106
140	Profit/losses from contractual changes without write-offs	266										266
200 a	Net provisions for risks and charges - commitments and guarantees given	-2,437										-2,437
200 b	Net provisions for risks and charges - other	-997							40			-957
	Profit (loss) from continuing operations before tax	**38,162**	**0**	**0**	**0**	**0**	**0**	**0**	**2,941**	**0**	**0**	**41,103**
300	Income taxes on continuing operations	-11,652									-967	-12,619
	Profit (loss) from continuing operations after tax	**26,510**	**0**	**0**	**0**	**0**	**0**	**0**	**2,941**	**0**	**-967**	**28,484**
	Provisions for risks and charges, other provisions, one-off expenses and revenue								-2,941			-2,941
	Non-recurring result before tax	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**-2,941**	**0**	**0**	**-2,941**
	Income taxes from non-recurring items										967	967
	Non-recurring profit (loss) after tax	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**-2,941**	**0**	**967**	**-1,974**
330	**Net profit (loss) for the period**	**26,510**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**26,510**
340	Minority interests	0										0
350	**Profit (Loss) for the period pertaining to the Parent Company**	**26,510**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**26,510**

Consolidated financial position

Deposits

Total customer funds under management at 30 September 2020 reached Euro 27.5 billion, an increase with respect to the 2019 year-end balance (+2.7%).

Direct deposits at 30 September 2020 amounted to Euro 11.5 billion, up 2.9% compared with 31 December 2019, due to the increase in amounts due to customers (+4.9%), offset by debt securities in issue (-8.3%).

Indirect deposits at 30 September 2020 totalled Euro 16.0 billion (+2.6%). Deposits from ordinary customers amounted to Euro 9.8 billion, up 0.5% compared with the end of the previous year, attributable to the trend in assets under administration (+0.4%) and assets under management (+0.5%).

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	**30.09.2020**	**%**	**31.12.2019**	**%**	**Amount**	**%**
Due to customers	9,912,196	36.1%	9,445,899	35.3%	466,297	4.9%
Debt securities in issue	1,604,640	5.8%	1,749,103	6.5%	-144,463	-8.3%
Direct deposits	**11,516,836**	**41.9%**	**11,195,002**	**41.8%**	**321,834**	**2.9%**
Ordinary customer deposits	9,770,549	35.6%	9,721,680	36.4%	48,869	0.5%
Institutional customer deposits	6,190,319	22.5%	5,840,695	21.8%	349,624	6.0%
Indirect deposits	**15,960,868**	**58.1%**	**15,562,375**	**58.2%**	**398,493**	**2.6%**
Total customer deposits	**27,477,704**	**100.0%**	**26,757,377**	**100.0%**	**720,327**	**2.7%**

Table 8 – Indirect deposits from customers

					Change	
Amounts in thousands of Euro	**30.09.2020**	**%**	**31.12.2019**	**%**	**Amount**	**%**
Assets under administration	**3,091,078**	**19.4%**	**3,078,702**	**19.8%**	**12,376**	**0.4%**
assets under management	**6,679,471**	**41.8%**	**6,642,978**	**42.7%**	**36,493**	**0.5%**
of which: Mutual funds and Sicavs	*3,164,997*	*19.8%*	*3,144,939*	*20.2%*	*20,058*	*0.6%*
Managed portfolios	*992,087*	*6.2%*	*966,037*	*6.2%*	*26,050*	*2.7%*
Bancassurance	*2,522,387*	*15.8%*	*2,532,002*	*16.3%*	*-9,615*	*-0.4%*
Ordinary customer deposits	**9,770,549**	**61.2%**	**9,721,680**	**62.5%**	**48,869**	**0.5%**
Institutional customer deposits(1)	**6,190,319**	**38.8%**	**5,840,695**	**37.5%**	**349,624**	**6.0%**
Indirect deposits (1)	**15,960,868**	**100.0%**	**15,562,375**	**100.0%**	**398,493**	**2.6%**

(1) institutional customer deposits include securities of the Bancassurance segment of ordinary customers for Euro 2.6 billion (Euro 2.4 billion at 31.12.2019).

Given the current situation, the Finance Department has intensified its monitoring of operating and overall liquidity, the trend in deposits, and the imbalance between direct deposits and loans. Currently, there is no evidence of particular situations of tension. The Risk Management Department has in turn 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

The total amount of *loans to customers* at 30 September 2020 came to Euro 10.1 billion, all referring to *loans to ordinary customers* (+5.9% on the comparative period).

The main indicators for coverage of performing and non-performing loans are reported below, showing an increase.[5]

Table 9 – Credit quality at 30 September 2020

	30.09.2020					
Amounts in thousands of Euro	Gross exposure	% of total loans and receivables	Write-downs	Coverage ratio	Net exposure	% of total loans and receivables
Doubtful loans	327,780	3.1%	(203,706)	62.1%	124,074	1.2%
Unlikely to pay	296,326	2.9%	(100,491)	33.9%	195,835	1.9%
Past due impaired loans	3,236	0.0%	(317)	9.8%	2,919	0.0%
Total non-performing loans	**627,342**	**6.0%**	**(304,514)**	**48.5%**	**322,828**	**3.2%**
Exposures in stage 1	8,797,204	83.8%	(24,364)	0.3%	8,772,840	86.6%
Exposures in stage 2	1,067,730	10.2%	(31,422)	2.9%	1,036,308	10.2%
Performing loans	**9,864,934**	**94.0%**	**(55,786)**	**0.57%**	**9,809,148**	**96.8%**
Total loans to customers	**10,492,276**	**100.0%**	**(360,300)**	**3.4%**	**10,131,976**	**100.0%**

Table 9-bis – Credit quality at 31 December 2019

	31.12.2019					
Amounts in thousands of Euro	Gross exposure	% of total loans and receivables	Write-downs	Coverage ratio	Net exposure	% of total loans and receivables
Doubtful loans	311,378	3.1%	(191,360)	61.5%	120,018	1.3%
Unlikely to pay	309,618	3.2%	(92,556)	29.9%	217,062	2.3%
Past due impaired 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 loans	**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%**

[5] Reference should be made to the information contained in the section below entitled "Basis of preparation".

In the current macroeconomic context, numerous studies have been carried out on which sectors of the economy are likely to be impacted the most by the current crisis. For the Bank's internal sector analyses, we referred to "The impact of Covid-19 on sectors: the Cerved Industry Forecast (Reloaded)" published by Cerved in May 2020, which identifies the sectors with the best and worst performance expectations in the context of Covid-19.

The following Ateco codes were then identified in the Bank's loan portfolio, attributable to those considered with the worst performance expectations in the study: 55 Accommodation (hotels), 56 Catering, 49 Land transport and transport via pipelines, 18 Printing and reproduction of recorded media, 59 Film production, video production and music recording and 79 Travel services and tour operators. For the sectors with the best performance expectations, the following Ateco codes were identified: 46 Wholesale trade (except motor vehicles) and 21 Manufacture of pharmaceutical products and basic pharmaceutical preparations.

By isolating performing exposures for the Ateco codes identified in this way, and not considering exposures backed by a State guarantee granted in the context of the pandemic at 30 September 2020, it was possible to see the trend in the average levels of coverage, as shown below:

Coverage of the performing portfolio (stages 1 and 2) for the sectors deemed most penalised by Covid-19

Sector description	EAD 30-09-2020	Average coverage 30-09-2020	Average coverage 31-12-2019	Coverage delta
Accommodation	125 million	0.95%	0.57%	+ 0.38%
Catering	71 million	1.57%	1.39%	+ 0.18%
Land transport and transport via pipelines	73 million	0.73%	0.66%	+ 0.07%
Printing and reproduction of recorded media	40 million	0.59%	0.54%	+ 0.05%
Travel services and film production	14 million	0.87%	0.71%	+ 0.16%
Total most penalised sectors	**323 million**	**0.99%**	**0.79%**	**+ 0.20%**

Coverage of the performing loan portfolio (stages 1 and 2) for the sectors deemed most favoured by Covid-19

Sector description	EAD 30-09-2020	Average coverage 30-09-2020	Average coverage 31-12-2019	Coverage delta
Wholesale trade (except motor vehicles)	618 million	0.48%	0.54%	- 0.06%
Manufacture of pharmaceutical products	15 million	0.91%	0.94%	- 0.03%
Total most favoured sectors	**633 million**	**0.49%**	**0.55%**	**- 0.06%**

The analysis shows a correlation between the increase in the level of coverage and the performance of the sectors highlighted in the Cerved study. The performing loan portfolio as a whole, not considering Covid-19 loans backed by public guarantees, shows coverage of 0.62% (3.11% with specific reference to stage 2 exposures).

With reference to the exposures relating to the Covid-19 loans backed by public guarantees pursuant to Law 662/96 (issued by the Guarantee Fund for SMEs through Medio Credito Centrale, MCC) and by SACE guarantees, which for the entire performing loan portfolio at the reporting date express an overall EAD of approximately Euro 1.2 billion, the average coverage is approximately 0.16%. On the other hand, as regards the relationships subject to the Covid-19 moratorium (pursuant to law, ABI, Assofin, internal of general scope), which at the reporting date express an overall EAD of approximately Euro 2.5 billion, the average coverage is 0.93%, which for stage 2 relationships alone (with a total EAD of approximately Euro 0.5 billion) rises to 3.67%.

In consideration of these results, the Group did not deem it necessary to integrate the evaluation process with management overlay interventions, which may in any case be reconsidered in the future.

The following table gives a breakdown of loans to customers by type at 30 September 2020 (compared with 31 December 2019), which shows significant growth in medium/long-term mortgages and loans (+16.4%) due to the disbursements made to companies backed by guarantees from Medio Credito Centrale and SACE.

Table 10 – Breakdown of loans to customers

Amounts in thousands of Euro	30.09.2020	%	31.12.2019	%	Change Amount	Change %
Current accounts	1,039,045	10.2%	1,418,691	14.9%	-379,646	-26.8%
Repurchase agreements	12,964	0.1%			12,964	n.s.
Mortgages and other long-term loans	8,253,077	81.5%	7,091,759	74.1%	1,161,318	16.4%
Other	826,890	8.2%	1,057,236	11.0%	-230,346	-21.8%
Loans to customers	**10,131,976**	**100.0%**	**9,567,686**	**100.0%**	**564,290**	**5.9%**
- of which non-performing loans	*322,828*	*3.2%*	*340,179*	*3.6%*	*-17,351*	*-5.1%*
- of which performing loans	*9,809,148*	*96.8%*	*9,227,507*	*96.4%*	*581,641*	*6.3%*

The Credit Department, with the support of the Risk Management Department, implemented the measures gradually introduced into the Italian market to support the financial needs of households and businesses (including the extensive public credit guarantee programmes) and analysed the publications and analyses by rating agencies and credit bureaus. It also adopted specific performance monitoring analyses in relation to Covid-19. Specific internal provisions were also issued for the operational management of extraordinary aid measures for which a specific task-force was set up.

Securities portfolio and the net interbank position

At 30 September 2020, total *financial assets* amounted to Euro 3.6 billion, with an increase on the end of 2019 (+6.2%). With reference to the issuers of securities, the total portfolio at 30 September 2020 relates for 76.2% to government securities, 9.6% to securities issued by banks and the remainder to other issuers.[6]

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 any loans granted to them.

Table 11 – Exposure in sovereign debt securities

Amounts in thousands of Euro		Italy	Spain	30.09.2020 Nominal value	30.09.2020 Book value
Financial assets measured at fair value through other comprehensive income	up to 1 year	25,000	-	25,000	25,053
	1 to 3 years	440,000	-	440,000	445,063
	3 to 5 years	-	-	-	-
	over 5 years	40,000	-	40,000	40,554
	Total	505,000	-	505,000	510,670
Financial assets measured at amortised cost	up to 1 year	495,000	-	495,000	495,221
	1 to 3 years	647,500	-	647,500	650,594
	3 to 5 years	548,421	-	548,421	553,057
	over 5 years	494,790	15,000	509,790	513,919
	Total	2,185,711	15,000	2,200,711	2,212,791
Sovereign debt	**up to 1 year**	**520,000**	**-**	**520,000**	**520,274**
	1 to 3 years	**1,087,500**	**-**	**1,087,500**	**1,095,657**
	3 to 5 years	**548,421**	**-**	**548,421**	**553,057**
	over 5 years	**534,790**	**15,000**	**549,790**	**554,473**
	Total	**2,690,711**	**15,000**	**2,705,711**	**2,723,461**

The *net interbank position* is negative for Euro 1.2 billion, compared with the position at the end of the previous year, which was also negative for Euro 1.0 billion.

[6] Reference should be made to the information contained in the section below entitled "Basis of preparation".

Capital and capital adequacy ratios

Shareholders' equity pertaining to the Parent Company at 30 September 2020, including net profit for the period, amounts to Euro 977.0 million, compared with Euro 965.1 million at the end of 2019. The positive change of Euro 11.8 million is due to the comprehensive income of the period amounting to Euro 26.3 million, partly offset by payment of the 2019 dividend of Euro 14.5 million.

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

The calculation of capital ratios also benefited from the measures to ease the capital requirements introduced by EU Regulation 873/2020, in particular:

- an amendment to the transitional provisions of IFRS 9, which allows banks to sterilise in a declining manner the capital impacts associated with the increase in loan loss adjustments recorded in the period 2020-2024 of stage 1 and 2 portfolios compared with 1 January 2020,
- bringing forward the date of application of a) SMEs Supporting Factor, b) fairer calibration of salary- or pension-backed loans, with a weighting of 35%.

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

The calculation of Own Funds and of the consolidated prudential requirements, which are transmitted to the Bank of Italy in relation to the prudential supervisory reports (COREP) and statistical reports (FINREP), is made with reference to Brianza Unione di Luigi Gavazzi e Stefano Lado S.A.p.A. as it is the financial parent company of the banking group according to European legislation. This section therefore presents the results of this calculation, 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 916.3 million at 30 September 2020 (CET1 + AT1 of Euro 829.6 million, T2 of Euro 86.7 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 arrangements.

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

	30.09.2020		
	Application of the transitional arrangements	Without IFRS 9 transitional provisions	Fully loaded
OWN FUNDS			
Common Equity Tier 1 - CET 1	772,503		
Common Equity Tier 1 - CET1 without application of the transitional arrangements		742,682	743,564
Tier 1 capital	829,645		
Tier 1 capital without application of the transitional arrangements		799,202	799,706
Total own funds	916,342		
Total own funds without application of the transitional arrangements		885,646	886,208
RISK ASSETS			
Risk-weighted assets	7,078,733		
Risk-weighted assets without application of the transitional arrangements		7,001,191	7,001,191
CAPITAL RATIOS			
Common Equity Tier 1 ratio/Risk-weighted assets (CET 1 capital ratio)	10.913%		
Common Equity Tier 1/Risk-weighted assets (CET1 capital ratio) without application of the transitional arrangements		10.608%	10.621%
Core Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)	11.720%		
Common Equity Tier 1/Risk-weighted assets (Tier 1 capital ratio) without application of the transitional arrangements		11.415%	11.422%
Total Own Funds/Risk-weighted assets (Total capital ratio)	12.945%		
Total own funds/Risk-weighted assets (Total capital ratio) without application of the transitional arrangements		12.650%	12.658%

At 30 September 2020, the Common Equity Tier 1 ratio (CET1/Risk-weighted assets) was 10.9% (10.0% at 31 December 2019). The Tier 1 ratio (T1/Risk-weighted assets) was 11.7% (10.7% at 31 December 2019), while the Total capital ratio (total Own Funds/Risk-weighted assets) was 12.9% (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 1,028.3 million at 30 September 2020 (CET1 + AT1 Euro 995.2 million + T2 Euro 33.1 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 arrangements.

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

	30.09.2020		
	Application of the transitional arrangements	**Without IFRS 9 transitional provisions**	**Fully loaded**
OWN FUNDS			
Common Equity Tier 1 - CET 1	994,412		
Common Equity Tier 1 - CET1 without application of the transitional arrangements		*940,743*	*942,513*
Tier 1 capital	995,171		
Tier 1 capital without application of the transitional arrangements		*941,503*	*942,513*
Total own funds	1,028,313		
Total own funds without application of the transitional arrangements		*974,645*	*975,655*
RISK ASSETS			
Risk-weighted assets	7,080,659		
Risk-weighted assets without application of the transitional arrangements		*7,003,117*	*7,003,117*
CAPITAL RATIOS			
Common Equity Tier 1 ratio/Risk-weighted assets (CET 1 capital ratio)	14.044%		
Common Equity Tier 1/Risk-weighted assets (CET1 capital ratio) without application of the transitional arrangements		*13.433%*	*13.458%*
Core Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)	14.055%		
Common Equity Tier 1/Risk-weighted assets (Tier 1 capital ratio) without application of the transitional arrangements		*13.444%*	*13.458%*
Total Own Funds/Risk-weighted assets (Total capital ratio)	14.523%		
Total own funds/Risk-weighted assets (Total capital ratio) without application of the transitional arrangements		*13.917%*	*13.932%*

At 30 September 2020, the Common Equity Tier 1 ratio (CET1/Risk-weighted assets) was 14.0% (13.0% at 31 December 2019). The Tier 1 ratio (T1/Risk-weighted assets) was 14.1% (13.0% at 31 December 2019), while the Total Capital ratio (total Own Funds/Risk-weighted assets) was 14.5% (13.7% at 31 December 2019).

Following the periodic Supervisory Review and Evaluation Process (SREP), on 21 May 2020, the Bank of Italy informed Banco di Desio e della Brianza S.p.S. and the financial parent company Brianza Unione di Luigi Gavazzi e Stefano Lado S.A.p.A. of its decision regarding capital, ordering that, from the next report on own funds, the Brianza Unione Group was to adopt the following consolidated capital ratios:

- ***7.35% for the Common Equity Tier 1 ratio***, binding to the extent of 4.85% (of which 4.5% for the minimum regulatory requirements and 0.35% for additional requirements as a result of the SREP), while the remainder is represented by the capital conservation buffer;
- ***8.95% for Tier 1 ratio***, binding for 6.45% (minimum regulatory requirement of 6% and additional requirements of 0.45% as a result of the SREP), while the remainder is represented by the capital conservation buffer;
- ***11.10% for Total Capital ratio,*** binding for 8.60% (minimum regulatory requirement of 8% and additional requirements of 0.60% as a result of the SREP), while the remainder is represented by the capital conservation buffer.

Performance of consolidated companies

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

The *profit for the period* has decreased by Euro 8.2 million (-23.2%), mainly hit by the cost of credit and net adjustments to securities due to the change in the economic scenario. Worth noting in particular are: the *Result of operations* which amounts to about 84.9 million, an improvement on the comparative period of 5.6% (featuring a containment of operating costs for Euro 7.1 million, an increase in the net result of financial assets and liabilities for Euro 2.1 million (+34.0%) and dividends of Euro 0.7 million (+67.8%), partially offset by the decrease in net interest income for Euro 0.7 million (-0.5%), net commission income for Euro 3.2 million (-2.5%) and other operating income/expense for Euro 1.5 million (-36.9%), *Dividends from equity investments in subsidiaries* for Euro 1.6 million (formerly Euro 5.7 million), the increase in the *Cost of credit* which comes to Euro 42.6 million (vs Euro 37.8 million), the balance of *Net adjustments to securities owned,* negative for Euro 0.1 million (positive for Euro 2.6 million in the comparative period), the balance of *Net provisions for risks and charges* negative for Euro 3.2 million (charges for Euro 0.2 million in the comparative period) and lower *Income taxes on current operations* for Euro 3.3 million.
Loans to customers rose from Euro 9,515.7 million at the end of 2019 to Euro 10,077.4 million at the reference date.
Shareholders' equity at 30 September 2020, including the result for the period, amounts to Euro 969.4 million, compared with Euro 956.9 million at the end of 2019. The positive change of Euro 12.5 million is due to the positive trend in comprehensive income for the period of Euro 27 million, partly offset by the payment of the 2019 dividend of Euro 14.5 million. Shareholders' equity calculated in accordance with the new regulatory provisions defined as *Own Funds*, with an expected pay-out of 40%, amounts at 30 September 2020 to Euro 1,027.5 million (CET1 + ATI of Euro 994.4 million + T2 of Euro 33.1 million), compared with Euro 1,036.7 million at the end of the previous year. At 30 September 2020, the *Common Equity Tier 1* ratio stood at 15.20% (14.42% at 31 December 2019), the Tier 1 ratio at 15.21% (14.44% at 31 December 2019) and the Total Capital ratio at 15.72% (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 30 September 2020 comes to Euro 2.1 million, a decrease compared with the prior period of Euro 4.8 million; *operating income* amounted to Euro 9.3 million, down by Euro 3.3 million compared with the period to 30 September 2019, while operating costs totalled Euro 5.5 million (comparative Euro 5.3 million), and the *results of operations* amounted to Euro 3.7 million (comparative Euro 7.3 million). The *Cost of credit*, amounting to approximately Euro 0.5 million, and *taxes* for Euro 1.0 million (vs Euro 2.2 million) lead to the result for the period.
Loans to customers increased from Euro 792.7 million at the end of 2019 to Euro 851.0 million at the reporting date, an increase of Euro 58.3 million (+7.3%).
Book *shareholders' equity* at 30 September 2020, including net profit for the period, amounts to Euro 48.3 million, compared with Euro 47.8 million at the end of 2019 (due to the result for the period partly 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 45.4 million.

Frame of reference

Ratings

On 19 May 2020, after its annual rating review, Fitch Ratings lowered the ratings previously assigned to the Bank by one notch. The judgement reflects the considerations behind the recent downgrade in the sovereign rating linked to the expected deterioration in Italy's growth forecasts as a result of the Covid-19 health emergency and the probable repercussions on the banking sector in terms of profitability and asset quality.

In this scenario, Fitch maintained the Bank's "Stable" outlook, recognising that it had adequate liquidity and a capitalisation capable of withstanding any pressure, even significant pressure, in terms of asset quality. The Bank points out that the coverage level is higher than the average of the LSIs, taking into account the composition of non-performing loans, and that the resilient territorial bank model is confirmed by the significant solidity of its capital and liquidity.

The updated ratings are the following:

Long term IDR: changed to "BB+" Outlook Stable

Viability rating: changed to "bb+"

Short term IDR: changed to "B"

Support Rating: confirmed at "5"

Support Rating Floor: confirmed at "No Floor"

Directors and Officers

The Deputy General Manager of the Parent Company, Angelo Antoniazzi, resigned on 15 September 2020. It has been decided to postpone the appointment of a new Deputy General Manager for the time being. His directorship of the subsidiary Fides SpA came to an end at the same time. Fides' Board of Directors therefore co-opted the Chief Executive Officer of the Parent Company Alessandro Decio.

Distribution network

The number of branches at 30 September 2020 came to 253; four branches will be closed by the end of 2020, as resolved by the Board of Directors in September: Como "47", Turin "Nizza", Spoleto "Marconi" and Fonte Nuova, while the Scheggino branch will be closed in 2021.

Outlook

Macroeconomic scenario

The contraction in economic activity and international trade accelerated in the spring. Signs of recovery have emerged in recent weeks, but the risks remain significant. The Covid-19 epidemic has intensified recently in a number of emerging economies and in the United States, putting health response capacities in serious difficulty and increasing uncertainty about the macroeconomic outlook. The monetary and budgetary expansion measures, as well as the gradual easing of the measures to suspend economic activities, have favoured a reduction in tensions on financial markets, though they remain extremely sensitive to news about how the contagion is spreading. GDP contracted considerably in the main economies during the first half of the year. In addition to China, which was the first country to be hit by the epidemic, the contraction was very substantial in the United States and the United Kingdom. The decline in consumer spending contributed particularly all to this trend, at a time when there was a sharp reduction in employment. International trade has fallen sharply, reflecting the decline in demand in most economies, the interruption of tourist flows and lower exchanges along global supply chains. The global growth forecasts of international institutions have repeatedly been revised downwards. Estimates released in June by the International Monetary Fund foreshadow a drop in world GDP of 4.9% in the current year and a recovery of 5.4% in 2021. Consumer inflation, which has fallen significantly since the beginning of the year, has fallen below 1% in all the main advanced economies.

As regards the banking market, at September the year-on-year trend in customer deposits was positive and rising on a monthly basis as well (+5.2%). Analysing this, the principal components were in line with previous postings: deposits are up (+7.0%, compared with +5.8% in December), whereas bonds are down (-7.1%, compared with -1.9% in December). The overall remuneration of funding has decreased (0.52%, from 0.58% in December), due to a monetary context where the cost of money is still essentially zero. With regard to loans, in September loans to the private sector maintained the previous growth trend (+3.6%, compared with +0.1% in December), albeit with lower intensity: the sector has been driven by loans to businesses, thanks to the extraordinary support measures put in place by the Government (in its "DL Liquidità") and to a lesser extent by loans to households (+1.7%), which discounted the decline in demand for mortgages. Lending to the productive sector continues to be influenced by the trend in investments and the economic cycle which, although recovering, remains muted. Rates on loans to households and businesses decreased (2.34%, vs 2.48% in December). Within these, the pricing of new transactions continues to suffer from a market context with particularly low figures: this trend is transversal to loans to households for the purchase of houses (1.31%, vs 1.44%) and loans to businesses (1.01%, vs 1.37%), which also mark new all-time lows.

In Lombardy during the first half of 2020, industrial production went down significantly (-20.7%), obviously due to Covid-19 and the lockdown. Compared with the previous quarter, however, the decline was less marked and, above all, less intense than the national figure (-33.8%). This highlights an important fact: although Lombardy was one of the regions most affected by the Covid-19 emergency, the impact on production was less pronounced than in the rest of the country. In terms of sector, the industries most affected were leather (-45.4%), textiles (-36.9%) and means of transport (-34.3%). All the other sectors show double-digit decreases, albeit to varying extents: only the food sector managed to limit the decline (-5.7%). From a geographical point of view, the provinces of Lombardy most affected were Como (-28%), Varese (-23.2%) and Brescia (-22.1%) while the provinces that suffered less were Lodi (-5.7%) and Sondrio (-10.3%). The dynamics of industrial production were reflected in the turnover figures, which showed a marked decline year-on-year (-19.6%), with a sharper drop in the domestic market (-20.9% compared with -17.6% in the foreign market) .

The outlook for the current year

The Group's results have been influenced by the health crisis caused by the spread from the end of February of the Covid-19 virus, whose effects on the economy in general and on the results of the business and on the overall financial performance of the Banco Desio Group remain uncertain, as they depend on potential developments in future scenarios.

These results highlight, in particular, a decrease in performance compared with 30 September 2019, primarily in terms of an increase in the cost of credit. Despite the physiological dynamics in the cost of the non-performing portfolio, the Group has taken into account what was outlined by the ECB in terms of assessing the cost of risk on performing loans, albeit mitigated by the effects of the moratoriums and state guarantees. The effects of these assessments will be constantly monitored following the evolution of the economic situation and, if necessary, updated accordingly.

Based on the final results at 30 September 2020, which reflect the impacts of the Covid-19 emergency and the economic support countermeasures such as moratoriums and new disbursements granted within the scope of the “DL Liquidità” of 8 April 2020 and subsequent updates, it is considered reasonable to assume that positive results will be achieved; however, this assumes that any worsening in the health impacts of the epidemic does not lead to particularly negative effects on the economy in the last quarter of the year.

Please refer to the specific disclosure that describes the significant risks and uncertainties related to this situation (see the section below entitled "Basis of preparation"), which could have an impact, even a material impact, on the expected results, depending on many factors that are beyond management's control.

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 30 September 2020"* 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 interim reports are now compulsory based on the wording of art. 154-*ter*, paragraph 5, of Legislative Decree no. 58/1998 ("Consolidated Finance Act" or "TUB") introduced by Legislative Decree no. 25/2016 implementing Directive 2013/50/EU.

As regards the recognition and measurement criteria, this report has been prepared in accordance with the applicable IAS/IFRS issued by the International Accounting Standards Board (IASB) and the related interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), as explained in the "Accounting Policies" section of the notes to the consolidated financial statements at 31 December 2019, taking into account the accounting standards that have entered into force in the meantime and which, in any case, are applied 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.

The results of the period have been influenced by the health crisis caused by the spread from the end of February of the Covid-19 virus, whose effects on the economy in general and on the results of the business and on the overall financial performance of the Banco Desio Group remain uncertain, as they depend on potential developments in future scenarios.
The guidelines and indications expressed in recent months by various international, European and national institutions have been used by the Group consistently in preparing this financial report at 30 September 2020.
Also in consideration of Consob's Call for Attention no. 8/20 of 16 July 2020, the following is an explanation of the main financial statement issues impacted by the Covid-19 epidemic and the solutions adopted by the Group, being well aware of its role in providing the much-needed support to its stakeholders, above all to people and businesses, in the current context characterised by significant levels of uncertainty and volatility.
The exceptional characteristics of the current crisis from which economic and financial consequences on people and businesses may derive, depending on the duration of the health and social emergency, as well as the measures already defined and being defined by the Italian government and EU authorities which, for their amount and characteristics, are likely to mitigate the effects of the crisis, but which have not yet been fully defined, make the application of accounting standards based on current market values and forward-looking valuations particularly complex.

The main financial statement aspects affected by the Covid-19 epidemic, the solutions adopted and the effects on the income statement at 30 September 2020 are described below.

Classification and measurement of loans according to IFRS 9 in light of the provisions issued by the various supervisory authorities following the Covid-19 epidemic
Regarding the classification, taking into account the indications of the various regulators that have expressed themselves on the subject, as well as the initiatives undertaken by the Group, the performing positions affected by the moratorium measures based on legislation or decided independently by the Group in response to the Covid-19 emergency are treated as follows:

- they are not normally considered forborne according to prudential regulations nor are they subject to stage 2 classification, also taking into account that there is substantially no change in the present value of the cash flows subsequent to the contractual modification. For positions with companies that had a higher level of risk before the health emergency, specific assessments are carried out in the case of a moratorium decided independently by the Group to verify whether or not to consider renegotiation as a forbearance measure, with consequent transfer to stage 2;
- they are not classified as NPLs (stage 3). In particular, under these circumstances performing loans subject to a moratorium are not classified in the same risk class of past due or overdrawn loans because, in compliance with the requirements of EBA's guidelines, the moratorium interrupts the counting of the days that they are past due. Furthermore, adhering to a moratorium because of Covid-19 is not automatically considered as a trigger event for an unlikely-to-pay loan.

The moratoriums granted to customers already classified among non-performing loans are subject to specific assessment and considered as additional forbearance measures.
As regards the assessment, it should be remembered that IFRS 9 Financial Instruments expressly requires that an entity estimate the expected losses on receivables taking into consideration all information, available currently and in the future, that is deemed reasonable and demonstrable.
The positions of the Supervisory Authorities that have expressed themselves on the subject have agreed to suggest extreme caution in modifying the valuation scenarios, at least in the phase of most acute uncertainty. At the same time, the ECB's suggestion to use a reference scenario anchored to its indications seemed to indicate the intention of the Authorities to want to centrally direct the banks in this particular situation, providing a homogeneous set of parameters for forecasts of future economic trends.
On 4 June 2020, the projections for the Eurozone were announced by the ECB, which published the document "Eurosystem staff macroeconomic projections for the Euro Area", which was followed by the "Macroeconomic projections for the Italian economy" for the three-year period 2020-22, published by the Bank of Italy on 5 June 2020.
So taking into account: (i) the guidance mentioned previously that it was better to focus on long-term prospects to grasp the structural effects of the crisis without emphasising the procyclicality and avoiding mechanical applications of the models for estimating expected credit losses, and (ii) the complexities of applying the ordinary models for estimating expected losses, which consider prospective forecasts for the current year and only the following two years, so with a strong incidence of short-term movements, the Group followed the instructions provided by the various authorities to update the ordinary assessment process conditioned by the exceptional and completely new characteristics of the current crisis. Please refer to the Interim Financial Report at 30 June 2020 for a description of the main assumptions relating to the estimate of expected losses of performing credit exposures (stages 1 and 2) which were taken into consideration by the Group in preparing this financial report at 30 September 2020.
The determination of expected losses on non-performing loans (stage 3) also implies significant elements of assessment, with particular reference to estimating the flows deemed recoverable and the related timing of recovery. During the period, 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 contingency of the Covid-19 epidemic and, in any case, to ensure the correct classification and assessment of recoverability of exposures classified as NPL with consequent impact on the cost of non-performing credit for the period and on the increase in the levels of coverage of NPLs compared with 31 December 2019.

Measurement of financial instruments at fair value
For the purposes of this interim financial report, the measurement of financial instruments at fair value has been updated on the basis of current market conditions, in line with the provisions of IFRS 13 and the Group's Fair Value Policy.
In particular, for investments at fair value that derive their value directly, in the case of listed securities, or, in the case of investments that are convertible or closely related to instruments that are listed/valued with market multiples, indirectly from market prices (so valued with methods ascribable to fair value levels 1 and 2), the valuations were updated on the basis of stock market prices.
The use of significant judgements in the valuation of the financial instruments in portfolio is to be considered fairly marginal, given that the bank continues to maintain a very prudent allocation. The use of valuation models for the recognition of the fair value of the financial instruments not listed on active markets (Level 3), substantially attributable to units of UCITS of closed-end funds, therefore relates to a minimal portion of the investments held. With particular reference to closed-end investment funds classified under financial instruments mandatorily measured at fair value through profit or loss, the negative effects on the income statement (approximately Euro 0.9 million net of the tax effect) caused by updating their valuation on the basis of the latest available NAVs have been recognised.

Impairment test of intangible assets with indefinite life (goodwill) and equity investments
Updating the valuation models used for impairment tests on equity investments and intangible assets with an indefinite life (goodwill) and the valuation models used to verify that future taxable income will be sufficient to allow the recovery of deferred tax assets not falling within the scope of Law 214/2011 (the so-called probability test) also involves significant elements of judgement.
In this regard, the same considerations already made in the interim financial report at 30 June 2020 still apply.

Impacts of the Covid-19 epidemic on the income statement at 30 September 2020

With reference to the impacts of Covid-19 on the income statement at the reporting date, there is first of all a cost of credit linked to the performing portfolio (stage 1 and stage 2) of loans to customers, endorsement loans and commitments to disburse funds in the period of Euro 12.4 million, of which Euro 12.0 million estimated internally when preparing the consolidated interim financial report at 30 June 2020 as the effect of updating the models for implementing the macroeconomic forecasts impacted by Covid-19. In addition, there is the recognition of higher operating costs of approximately Euro 2.3 million incurred to deal with the emergency.

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This 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 the report are consistent with the quarterly reports (or interim reports on operations) prepared previously, in any case reflecting 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, 29 October 2020 BANCO DI DESIO E DELLA BRIANZA S.p.A.

Financial Reporting Manager
Mauro Walter Colombo

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The attached consolidated financial schedules at 30 September 2020 are an integral part of the consolidated quarterly report at 30 September 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, 29 October 2020 BANCO DI DESIO E DELLA BRIANZA S.p.A.

The Chairman
Stefano Lado

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ATTACHMENT

Table A 1 – Consolidated balance sheet

Assets	30.09.2020	31.12.2019	Change Amount	Change %
10. Cash and cash equivalents	53,290	60,816	(7,526)	-12.4%
20. Financial assets designated at fair value through profit or loss	36,480	44,063	(7,583)	-17.2%
a) Financial assets held for trading	3,884	5,807	(1,923)	-33.1%
c) Other financial assets that are necessarily measured at fair value	32,596	38,256	(5,660)	-14.8%
30. Financial assets designated at fair value through other comprehensive income	574,464	559,634	14,830	2.6%
40. Financial assets measured at amortised cost	13,845,399	12,949,705	895,694	6.9%
a) Due from banks	1,065,899	915,019	150,880	16.5%
b) Loans to customers	12,779,500	12,034,686	744,814	6.2%
60. Adjustment to financial assets with generic hedge (+/-)	578	624	(46)	-7.4%
90. Property, plant and equipment	218,691	226,305	(7,614)	-3.4%
100. Intangible assets	18,275	18,194	81	0.4%
of which:				
- goodwill	15,322	15,322		
110. Tax assets	194,615	202,765	(8,150)	-4.0%
a) current	10,281	7,812	2,469	31.6%
b) deferred	184,334	194,953	(10,619)	-5.4%
130. Other assets	128,382	129,956	(1,574)	-1.2%
Total assets	**15,070,174**	**14,192,062**	**878,112**	**6.2%**

Liabilities and shareholders' equity	30.09.2020	31.12.2019	Change Amount	Change %
10. Financial liabilities measured at amortised cost	13,556,165	12,850,498	705,667	5.5%
a) Due to banks	1,991,180	1,603,208	387,972	24.2%
b) Due to customers	9,960,345	9,498,187	462,158	4.9%
c) Debt securities in issue	1,604,640	1,749,103	(144,463)	-8.3%
20. Financial liabilities held for trading	8,142	8,138	4	0.0%
40. Hedging derivatives	1,778	2,157	(379)	-17.6%
60. Tax liabilities	13,400	15,816	(2,416)	-15.3%
b) deferred	13,400	15,816	(2,416)	-15.3%
80. Other liabilities	453,377	289,279	164,098	56.7%
90. Provision for termination indemnities	24,884	25,480	(596)	-2.3%
100. Provisions for risks and charges	35,474	35,582	(108)	-0.3%
a) commitments and guarantees given	5,153	2,734	2,419	88.5%
c) other provisions for risks and charges	30,321	32,848	(2,527)	-7.7%
120. Valuation reserves	45,162	45,373	(211)	-0.5%
150. Reserves	818,440	792,741	25,699	3.2%
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 (+/-)	26,510	40,156	(13,646)	-34.0%
Total liabilities and shareholders' equity	**15,070,174**	**14,192,062**	**878,112**	**6.2%**

Table A 2 – Consolidated income statement

Captions	30.09.2020	30.09.2019	Change Amount	Change %
10. Interest and similar income	193,065	198,798	(5,733)	-2.9%
20. Interest and similar expense	(28,642)	(33,795)	5,153	-15.2%
30. Net interest income	**164,423**	**165,003**	**(580)**	**-0.4%**
40. Commission income	130,497	134,628	(4,131)	-3.1%
50. Commission expense	(11,928)	(11,814)	(114)	1.0%
60. Net commission income	**118,569**	**122,814**	**(4,245)**	**-3.5%**
70. Dividends and similar income	1,759	1,049	710	67.7%
80. Net trading income	1,579	1,113	466	41.9%
90. Net hedging gains (losses)		(551)	551	-100.0%
100. Gains (losses) on disposal or repurchase of:	3,437	3,967	(530)	-13.4%
a) financial assets measured at amortised cost	(754)	2,347	(3,101)	n.s.
b) financial assets designated at fair value through other comprehensive income	4,193	1,742	2,451	140.7%
c) financial liabilities	(2)	(122)	120	-98.4%
110. Net result of other financial assets and liabilities designated at fair value through profit or loss	(407)	(34)	(373)	n.s.
b) other financial assets that have to be measured at fair value	(407)	(34)	(373)	n.s.
120. Net interest and other banking income	**289,360**	**293,361**	**(4,001)**	**-1.4%**
130. Net value adjustments/write-backs for credit risk relating to:	(43,424)	(38,512)	(4,912)	12.8%
a) financial assets measured at amortised cost	(43,466)	(38,479)	(4,987)	13.0%
b) financial assets designated at fair value through other comprehensive income	42	(33)	75	n.s.
140. Profit/losses from contractual changes without write-offs	266	(161)	427	n.s.
150. Net profit from financial activities	**246,202**	**254,688**	**(8,486)**	**-3.3%**
180. Net profit from financial and insurance activities	**246,202**	**254,688**	**(8,486)**	**-3.3%**
190. Administrative costs:	(217,043)	(220,050)	3,007	-1.4%
a) payroll costs	(124,991)	(128,438)	3,447	-2.7%
b) other administrative costs	(92,052)	(91,612)	(440)	0.5%
200. Net provisions for risks and charges	(3,434)	(528)	(2,906)	550.4%
a) commitments for guarantees given	(2,437)	(569)	(1,868)	328.3%
b) other net provisions	(997)	41	(1,038)	n.s.
210. Net adjustments to property, plant and equipment	(12,948)	(13,414)	466	-3.5%
220. Net adjustments to intangible assets	(981)	(958)	(23)	2.4%
230. Other operating charges/income	26,366	31,092	(4,726)	-15.2%
240. Operating costs	**(208,040)**	**(203,858)**	**(4,182)**	**2.1%**
260. Net result of the measurement at fair value of property, plant and equipment and intangible assets		(260)	260	-100.0%
290. Profit (loss) from current operations before tax	**38,162**	**50,570**	**(12,408)**	**-24.5%**
300. Income taxes on current operations	(11,652)	(16,910)	5,258	-31.1%
310. Profit (loss) from current operations after tax	**26,510**	**33,660**	**(7,150)**	**-21.2%**
330. Net profit (loss) for the period	**26,510**	**33,660**	**(7,150)**	**-21.2%**
340. Net profit (loss) pertaining to minority interests		-		n.s.
350. Parent Company net profit (loss)	**26,510**	**33,660**	**(7,150)**	**-21.2%**

Table A 3 – Statement of Consolidated Comprehensive Income

	Captions	30.09.2020	30.09.2019
10.	**Net profit (loss) for the period**	**26,510**	**33,660**
	Other elements of income, net of income taxes without reversal to income statement		
20.	Equity instruments designated at fair value through other comprehensive income	(180)	(86)
50.	Property, plant and equipment	-	46
70.	Defined-benefit pension plans	(172)	(952)
	Other elements of income, net of income taxes with reversal to income statement		
120.	Cash-flow hedges	259	(582)
140.	Financial assets (other than equities) designated at fair value through other comprehensive income	(118)	1,563
170.	**Total other elements of income (net of income taxes)**	**(211)**	**(11)**
180.	**Total comprehensive income (Captions 10+170)**	**26,299**	**33,649**
190.	Total comprehensive income pertaining to minority interests	-	-
200.	**Total consolidated comprehensive income pertaining to Parent Company**	**26,299**	**33,649**

Table A 4 – Statement of changes in consolidated shareholders' equity for the period 1 January - 30 September 2020

	Balance at 31.12.2019	Changes in opening balances	Balance at 01.01.2020	Allocation of prior year results: Reserves	Allocation of prior year results: Dividends and other allocations	Changes during the year: Changes in reserves	Changes during the year – Transactions on shareholders' equity: Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Changes in equity instruments	Derivatives on treasury shares	Stock options	Changes in equity investments	Comprehensive income at 30.09.2020	Group shareholders' equity at 30.09.2020	Minority interests at 30.09.2020
Share capital:																
a) ordinary shares	63,828		63,828												63,828	
b) other shares	6,865		6,865												6,865	
Share premium reserve	16,145		16,145												16,145	
Reserves:																
a) from profits	768,080		768,080	44,887		(14,457)									798,510	
b) other	24,665		24,665	(4,731)											19,930	4
Valuation reserves:	45,373		45,373											(211)	45,162	
Equity instruments																
Treasury shares																
Net profit (loss) for the period	40,156		40,156	(40,156)										26,510	26,510	
Group shareholders' equity	**965,108**		**965,108**			**(14,457)**								**26,299**	**976,950**	
Minority interests	**4**		**4**													**4**

Table A 5 – Statement of changes in consolidated shareholders' equity for the period 1 January - 30 September 2019

	Balance at 31.12.2018	Changes in opening balances	Balance at 01.01.2019	Allocation of prior year results: Reserves	Allocation of prior year results: Dividends and other allocations	Changes during the year: Changes in reserves	Transactions on shareholders' equity: Issue of new shares	Transactions on shareholders' equity: Purchase of treasury shares	Transactions on shareholders' equity: Extraordinary distribution of dividends	Transactions on shareholders' equity: Changes in equity instruments	Transactions on shareholders' equity: Derivatives on treasury shares	Transactions on shareholders' equity: Stock options	Transactions on shareholders' equity: Changes in equity investments	Comprehensive income at 30.09.2019	Group shareholders' equity at 30.09.2019	Minority interests at 30.09.2019
Share capital:																
a) ordinary shares	60,840		60,840				2,988								63,828	
b) other shares	6,865		6,865												6,865	
Share premium reserve	16,145		16,145												16,145	
Reserves:																
a) from profits	748,003		748,003	19,810											767,813	
b) other	22,982		22,982	4,840			(2,988)						(169)		24,661	4
Valuation reserves:	44,927		44,927										169	(11)	45,085	
Equity instruments																
Treasury shares																
Net profit (loss) for the period	36,558		36,558	(24,650)	(11,908)									33,660	33,660	
Group shareholders' equity	**892,054**		**892,054**		**(11,908)**								**44,262**	**33,649**	**958,057**	
Minority interests	**44,266**		**44,266**										**(44,262)**			**4**

Note: the column "balance at 31.12.2018" has been restated with respect to the table in the financial statements published to reflect a different allocation between "reserves – revenue reserves" and "reserves – other" of the Group's net equity and an allocation to "reserves – other" of minority interests not directly attributable to other items.

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	***969,434***	***27,227***
Effect of consolidation of subsidiaries	7,516	908
Dividends declared during the period	-	-1,625
Consolidated balance of the Banco Desio Group	**976,950**	**26,510**

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	**26,510**
Elements deducted	10,891
- proposed dividends to shareholders of the Bank (40% pay-out)	*10,891*
Net profit attributable to Tier 1 capital in Own Funds	**15,619**