PRESS RELEASE

CONSOLIDATED RESULTS AT 31 MARCH 2021

The Board of Directors of Banco di Desio e della Brianza S.p.A. has approved this "Consolidated Quarterly Report at 31 March 2021"

Consolidated net profit of Euro 20.0 million with an annualised ROE of 7.8%. The operating profit rose strongly (+54.7%) thanks to an increase in revenues (+14.3%) and a reduction in costs (-2.9%); cost/income ratio of 65.7% (vs 73.6%)[1]. Further capital strengthening (CET1 of the Banco Desio Group +63 bps) due to continuous derisking and the positive impact of selling the investment in Cedacri which is currently being completed. NPL ratio of 5.3% (vs 5.4%) and coverage of non-performing loans at 48.2% (vs 47.5%).

PROFITABILITY

- ✓ **CONSOLIDATED NET PROFIT at Euro 20.0 million with an annualised ROE of 7.8%, confirming the Group's resilience. Result of operations up (+54.7%) due to the combined effect of a positive trend in income (+14.3%) and the steps taken to reduce costs (-2.9%). cost/income ratio of 65.7% (vs 73.6%)[1]**
- ✓ **Net commission income (+6.7%) has benefited from the positive trend in revenues deriving from assets under management and bancassurance (+22.1% on distribution of UCITS and 18.0% on insurance products)**

CAPITAL SOLIDITY [2]

- ✓ **SIGNIFICANT CAPITAL STRENGTHENING (CET1 of the Banco Desio Group +63 bps) due to the derisking carried out on the portfolio and the capital benefits of selling the investment in Cedacri which is currently being completed.**

Ratios[3]	Banco Desio Brianza	Banco Desio Group	Brianza Unione Group [4]
CET 1	16.37%	15.30%	11.53%
TIER 1	16.38%	15.30%	12.34%
Total Capital	16.68%	15.59%	13.48%

SUPPORT FOR THE ECONOMY

- ✓ **LOANS TO ORDINARY CUSTOMERS come to Euro 10.6 billion (+1.4%) because of the additional loans made to businesses under the "Liquidity Decree"**
- ✓ **DIRECT DEPOSITS are up, confirming the strong relationship with customers, equal to Euro 12.1 billion (+2.8%) and INDIRECT DEPOSITS of Euro 16.8 billion (+1.5%, of which ORDINARY CUSTOMERS +2.9%)**
- ✓ **Ratio of Ordinary customer loans/Direct deposits of 87.4% (vs 88.7%)**

LIQUIDITY AND ASSET QUALITY

- ✓ **LIQUIDITY under control with the liquidity coverage ratio (LCR) at 210.0% (vs 206.7% at 31.12.2020)**
- ✓ **PROPORTION OF NPLs down:**
  ***Net doubtful loans/Net loans ratio* at 1.1% (vs 1.1% at 31.12.2020)**
  ***Gross doubtful loans/Gross loans ratio of 2.9%* (vs 2.8%)**
  ***Net non-performing loans/Net loans ratio of 2.9%* (vs 2.9%)**
  ***Gross non-performing loans/Gross loans ratio* of 5.3% (vs 5.4%)**
- ✓ **LEVELS OF COVERAGE of non-performing and performing loans**
  Doubtful loans at 62.0%, 63.2% gross of write-offs (vs 61.0% and 62.2% at 31.12.2020)
  Non-performing loans at 48.2% (vs 47.5%), 49.0% gross of write-offs (vs 48.4%)
  Performing loans at 0.67% (vs 0.72%)

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[1] Including the charges relating to the banking system.
[2] 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.
[3] In application of the transitional arrangements introduced by Regulation (EU) 2017/2395 of 12 December 2017 and subsequent amendments.
[4] The consolidated ratios at Brianza Unione of Luigi Gavazzi and Stefano Lado S.A.p.A., a company that holds 49.88% of Banco di Desio and 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.

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The Board of Directors of Banco di Desio e della Brianza S.p.A., which met on 6 May 2021, approved the "Consolidated quarterly report on operations at 31 March 2021" (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".

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 uncertainties and significant risks related to it that could have an impact, even a material impact, on the expected results, which depend on many factors that are beyond management's control.

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

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

Results of the period

Key figures and ratios

Table 1 – Balance sheet

Amounts in thousands of Euro	31.03.2021	31.12.2020	Change amount	Change %
Total assets	17,203,379	15,663,522	1,539,857	9.8%
Financial assets	3,541,215	3,543,697	-2,482	-0.1%
Due from banks [(1)]	2,334,982	1,034,768	1,300,214	125.7%
Loans to customers [(1)]	10,617,005	10,473,228	143,777	1.4%
Property, plant and equipment [(2)]	219,004	222,483	-3,479	-1.6%
Intangible assets	18,451	18,513	-62	-0.3%
Non-current assets and disposal groups held for sale	118,923		118,923	
Due to banks	3,391,864	2,412,244	979,620	40.6%
Due to customers [(3)]	10,513,071	10,203,490	309,581	3.0%
Debt securities in issue	1,633,003	1,608,927	24,076	1.5%
Shareholders' equity (including Net profit/loss for the period)	1,064,509	995,071	69,438	7.0%
Own Funds	1,097,888	1,057,064	40,824	3.9%
Total indirect deposits	16,773,565	16,520,360	253,205	1.5%
of which: Indirect deposits from ordinary customers	*10,457,106*	*10,160,527*	*296,579*	*2.9%*
of which: Indirect deposits from institutional customers	*6,316,459*	*6,359,833*	*-43,374*	*-0.7%*

[(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 at 31 March 2021 includes the right of use ("RoU Assets") equal to Euro 49.2 million for operating lease contracts falling within the scope of application of IFRS 16 Leases, which came into effect on 1 January 2019

[(3)] the balance 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	31.03.2021	31.03.2020	Change amount	Change %
Operating income	110,447	96,642	13,805	14.3%
of which: Net interest income	*62,442*	*51,990*	*10,452*	*20.1%*
Operating costs	65,810	67,789	-1,979	-2.9%
Result of operations	44,637	28,853	15,784	54.7%
charges relating to the banking system	6,800	3,300	3,500	106.1%
Profit (loss) from continuing operations after tax	20,961	4,860	16,101	331.3%
Non-recurring profit (loss) after tax	-947	241	-1,188	n.s.
Net profit (loss) for the period	20,014	5,101	14,913	292.4%

[(4)] from the reclassified income statement.

Table 3 – Key figures and ratios

	31.03.2021	31.12.2020	Change Amount
Capital/Total assets	6.2%	6.4%	-0.2%
Capital/Loans to customers	10.0%	9.5%	0.5%
Capital/Due to customers	10.1%	9.8%	0.3%
Capital / Debt securities in issue	65.2%	61.8%	3.4%
Common Equity Tier 1 (CET 1)/Risk-weighted assets *(Common Equity Tier 1 ratio)* [(5) (6)]	15.3%	14.7%	0.6%
Core Tier 1 capital (T1)/Risk-weighted assets (Tier 1 ratio) [(5) (6)]	15.3%	14.7%	0.6%
Total Own Funds/Risk-weighted assets *(Total capital ratio)* [(5) (6)]	15.6%	15.1%	0.5%
Financial assets/Total assets	20.6%	22.6%	-2.0%
Due from banks/Total assets	13.6%	6.6%	7.0%
Loans to customers/Total assets	61.7%	66.9%	-5.2%
Loans to customers/Direct customer deposits	87.4%	88.7%	-1.3%
Due to banks/Total assets	19.7%	15.4%	4.3%
Due to customers/Total assets	61.1%	65.1%	-4.0%
Debt securities in issue/Total assets	9.5%	10.3%	-0.8%
Direct customer deposits / Total assets	70.6%	75.4%	-4.8%
	31.03.2021	**31.03.2020**	**Change Amount**
Cost/Income ratio	59.6%	70.1%	-10.5%
(Operating costs + Charges relating to the banking system)/Operating income (Cost/Income ratio	65.7%	73.6%	-7.9%
Net interest income/Operating income	56.5%	53.8%	2.7%
Result of operations/Operating income	40.4%	29.9%	10.5%
Profit (loss) from continuing operations after tax/Capital [(7) (8)]	7.9%	3.5%	4.4%
Profit (loss) from operations after tax/Capital [(7)] (R.O.E) [(8) (9)]	7.8%	2.4%	5.4%
Profit (loss) from continuing operations before tax/Total assets (ROA) [(8)]	0.7%	0.3%	0.4%
	31.03.2021	**31.12.2020**	**Change Amount**
Net doubtful loans/Loans to customers	1.1%	1.1%	0.0%
Net non-performing loans/Loans to customers	2.9%	2.9%	0.0%
% coverage of doubtful loans	62.0%	61.0%	1.0%
% Coverage of doubtful loans, gross of cancellations	63.2%	62.2%	1.0%
% Total coverage of non-performing loans	48.2%	47.5%	0.7%
% Coverage of non-performing loans, gross of cancellations	49.0%	48.4%	0.6%
% Coverage of performing loans	0.67%	0.72%	-0.05%

Table 4 – Structure and productivity ratios

	31.03.2021	31.12.2020	Change amount	Change %
Number of employees	2,188	2,179	9	0.4%
Number of branches	243	249	-6	-2.4%
Amounts in thousands of Euro				
Loans and advances to customers per employee [(10)]	4,862	4,786	76	1.6%
Direct deposits from customers per employee [(10)]	5,563	5,397	166	3.1%
	31.03.2021	**31.03.2020**	**Change amount**	**Change %**
Operating income per employee [(8) (10)]	202	184	18	9.8%
Result of operations per employee [(8) (10)]	82	58	24	41.4%

[(5)] Consolidated capital ratios for Banco Desio. The ratios for the scope of consolidation for regulatory purposes at Brianza Unione level at 31 March 2021 are: Common Equity Tier1 11.5%; Tier 1 12.3%; Total capital ratio 13.5%.

[(6)] Capital ratios at 31.03.2021 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 14.7%; Tier 1 14.7%; Total capital ratio 15.0%

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

[(8)] the amount reported at 31.03.2020 is the final figure at the end of 2020;

[(9)] the annualised ROE at 31.03.2021 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 is up by around 14.9 million, having benefited from the positive trend in operations (54.7%) thanks to operating income that is up (14.3%) and operating costs that are down (-2.9%).

Table 5 – Reclassified consolidated income statement

Captions				change	
Amounts in thousands of Euro		31.03.2021	31.03.2020	Amount	%
10+20	Net interest income	62,442	51,990	10,452	20.1%
70	Dividends and similar income	479	561	-82	-14.6%
40+50	Net commission income	43,982	41,214	2,768	6.7%
80+90+100 +110	Net result of financial assets and liabilities	3,105	1,739	1,366	78.6%
230	Other operating income/expense	439	1,138	-699	-61.4%
	Operating income	**110,447**	**96,642**	**13,805**	**14.3%**
190 a	Payroll costs	-42,891	-42,434	-457	1.1%
190 b	Other administrative costs	-20,617	-22,971	2,354	-10.2%
210+220	Net adjustments to property, plant and equipment and intangible assets	-2,302	-2,384	82	-3.4%
	Operating costs	**-65,810**	**-67,789**	**1,979**	**-2.9%**
	Result of operations	**44,637**	**28,853**	**15,784**	**54.7%**
130a+100a	Cost of credit	-6,532	-16,268	9,736	-59.8%
130 b	Net adjustments to securities owned	354	-344	698	n.s.
140	Profit/losses from contractual changes without write-offs	3	-126	129	n.s.
200 a	Net provisions for risks and charges - commitments and guarantees given	672	-55	727	n.s.
200 b	Net provisions for risks and charges - other	-822	-1,344	522	-38.8%
	charges relating to the banking system	-6,800	-3,300	-3,500	106.1%
	Profit (loss) from operations before tax	**31,512**	**7,416**	**24,096**	**324.9%**
300	Income taxes on continuing operations	-10,551	-2,556	-7,995	312.8%
	Profit (loss) from continuing operations after tax	**20,961**	**4,860**	**16,101**	**331.3%**
	Provisions for risks and charges, other provisions, one-off expenses and revenue	-1,016	360	-1,376	n.s.
	Non-recurring result before tax	**-1,016**	**360**	**-1,376**	**n.s.**
	Income taxes from non-recurring items	69	-119	188	n.s.
	Non-recurring profit (loss) after tax	**-947**	**241**	**-1,188**	**n.s.**
330	**Net profit (loss) for the period**	**20,014**	**5,101**	**14,913**	**292.4%**
340	Net profit (loss) pertaining to minority interests	0	0	0	n.s.
350	**Parent Company net profit (loss)**	**20,014**	**5,101**	**14,913**	**292.4%**

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

Operating income

Core revenues increased by about Euro 13.8 million with respect to the comparative period (+14.3%), amounting to Euro 110.4 million. The trend is attributable to the growth in *net interest income* of 10.5 million (+20.1%), *net commission income* of Euro 2.8 million (+6.7%) and the *net result of financial assets and liabilities* of Euro 1.4 million (+78.6%), partially offset by the decrease in *other operating income/expense* of Euro 0.7 million (-61.4%).

Lastly, dividends come in at Euro 0.5 million (vs Euro 0.6 million).

Operating costs

Operating costs, which include *payroll costs, other administrative expenses and net adjustments to property, plant and equipment and intangible assets* amount to around Euro 65.8 million and have decreased by Euro 2.0 million (-2.9%) with respect to the comparative period.

Other administrative costs and the balance of net adjustments to property, plant and equipment and intangible assets have decreased compared with the prior period (by -10.2% and -3.4% respectively), whereas personnel costs have increased by Euro 0.5 million (+1.1%).

Result of operations

The result of operations at 31 March 2021 therefore amounts to Euro 44.6 million, up on the comparative period (+54.7%).

Net profit (loss) from operations after tax

The *result of operations* of Euro 44.6 million leads to a *net profit (loss) from operations after tax* of Euro 21.0 million vs Euro 4.9 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 6.5 million (vs Euro 16.3 million in the first quarter of the previous year);
- positive *net adjustments to proprietary securities* of Euro 0.4 million (vs Euro 0.3 million negative);
- negative *net provisions for risks and charges*, Euro 0.1 million (vs Euro 1.4 million negative);
- *charges relating to banking system* of Euro 6.8 million (vs Euro 3.3 million);
- *income taxes on continuing operations* of Euro 10.6 million (vs Euro 2.6 million).

Result of non-recurring items after tax

At 31 March 2021 there was a *non-recurring loss after tax* of Euro 0.9 million (vs a profit of Euro 0.2 million). This caption essentially consists of the expense component of Euro 1 million related to the expenses for the disposal of the investment in Cedacri S.p.A., net of the related tax effect.

In the comparison period, this caption included 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, net of the related tax effect (negative for Euro 0.1 million).

Net profit (loss) for the period

The total of *profit from continuing and non-recurring operations* leads to a net profit at 31 March 2021 of about Euro 20.0 million.

	Captions	As per financial statements	Reclassifications										Reclassified income statement
	Amounts in thousands of Euro	31.03.2021	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	System charges	Reclassifications IFRS16 - Leases	Income taxes	31.03.2021
10+20	Net interest income	64,342	-1,308	-791					0		199		62,442
70	Dividends and similar income	479											479
40+50	Net commission income	43,191		791									43,982
80+90+100 +110	Net result of financial assets and liabilities	3,195						-90	0				3,105
230	Other operating income/expense	7,922			-7,839		356						439
	Operating income	**119,129**	**-1,308**	**0**	**-7,839**	**0**	**356**	**-90**	**0**	**0**	**199**	**0**	**110,447**
190 a	Payroll costs	-42,907							16				-42,891
190 b	Other administrative costs	-33,563			7,839				1,000	6,800	-2,693		-20,617
210+220	Net adjustments to property, plant and equipment and intangible assets	-4,440					-356				2,494		-2,302
	Operating costs	**-80,910**	**0**	**0**	**7,839**	**0**	**-356**	**0**	**1,016**	**6,800**	**-199**	**0**	**-65,810**
	Result of operations	**38,219**	**-1,308**	**0**	**0**	**0**	**0**	**-90**	**1,016**	**6,800**	**0**	**0**	**44,637**
130a+100a	Cost of credit	-7,647	1,308			-300		90	17				-6,532
130 b	Net adjustments to securities owned	54				300							354
140	Profit/losses from contractual changes without write-offs	3											3
200 a	Net provisions for risks and charges - commitments and guarantees given	672											672
200 b	Net provisions for risks and charges - other	-805							-17				-822
	charges relating to the banking system									-6,800			-6,800
	Profit (loss) from operations before tax	**30,496**	**0**	**0**	**0**	**0**	**0**	**0**	**1,016**	**0**	**0**	**0**	**31,512**
300	Income taxes on continuing operations	-10,482										-69	-10,551
	Profit (loss) from continuing operations after tax	**20,014**	**0**	**0**	**0**	**0**	**0**	**0**	**1,016**	**0**	**0**	**-69**	**20,961**
260	Net result of the measurement at fair value of property, plant and equipment and intangible assets	0				0							0
	Provisions for risks and charges, other provisions, one-off expenses and revenue		0			0			-1,016				-1,016
	Non-recurring result before tax	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**-1,016**	**0**	**0**	**0**	**-1,016**
	Income taxes from non-recurring items											69	69
	Non-recurring profit (loss) after tax	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**-1,016**	**0**	**0**	**69**	**-947**
330	**Net profit (loss) for the period**	**20,014**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**20,014**
340	Net profit (loss) pertaining to minority interests	0											0
350	**Parent Company net profit (loss)**	**20,014**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**20,014**

Consolidated financial position

Deposits

Total customer funds under management at 31 March 2021 reached Euro 28.9 billion, an increase with respect to the 2020 year-end balance (+2.1%).

Direct deposits at 31 March 2021 come to Euro 12.1 billion, up by 2.8% compared with 31 December 2020, mainly thanks to the growth in amounts due to customers (+3.0%).

Indirect deposits at 31 March 2021 totalled Euro 16.8 billion (+1.5%). Deposits from ordinary customers amount to Euro 10.5 billion, up 2.9% compared with the end of the previous year, attributable to the trend in assets under management (+4.0%) and assets under administration (+0.6%).

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	**31.03.2021**	**%**	**31.12.2020**	**%**	**Amount**	**%**
Due to customers	10,513,071	36.4%	10,203,490	36.0%	309,581	3.0%
Debt securities in issue	1,633,003	5.6%	1,608,927	5.7%	24,076	1.5%
Direct deposits	**12,146,074**	**42.0%**	**11,812,417**	**41.7%**	**333,657**	**2.8%**
Ordinary customer deposits	10,457,106	36.2%	10,160,527	35.9%	296,579	2.9%
Institutional customer deposits	6,316,459	21.8%	6,359,833	22.4%	-43,374	-0.7%
Indirect deposits	**16,773,565**	**58.0%**	**16,520,360**	**58.3%**	**253,205**	**1.5%**
Total customer deposits	**28,919,639**	**100.0%**	**28,332,777**	**100.0%**	**586,862**	**2.1%**

Table 8 – Indirect deposits from customers

					change	
Amounts in thousands of Euro	**31.03.2021**	**%**	**31.12.2020**	**%**	**Amount**	**%**
Assets under administration	**3,167,868**	**18.9%**	**3,150,381**	**19.1%**	**17,487**	**0.6%**
assets under management	**7,289,238**	**43.4%**	**7,010,146**	**42.4%**	**279,092**	**4.0%**
of which: Mutual funds and Sicavs	*3,678,789*	*21.9%*	*3,444,821*	*20.8%*	*233,968*	*6.8%*
Managed portfolios	*1,040,019*	*6.2%*	*1,007,369*	*6.1%*	*32,650*	*3.2%*
Bancassurance	*2,570,430*	*15.3%*	*2,557,956*	*15.5%*	*12,474*	*0.5%*
Ordinary customer deposits	**10,457,106**	**62.3%**	**10,160,527**	**61.5%**	**296,579**	**2.9%**
Institutional customer deposits(1)	**6,316,459**	**37.7%**	**6,359,833**	**38.5%**	**-43,374**	**-0.7%**
Indirect deposits (1)	**16,773,565**	**100.0%**	**16,520,360**	**100.0%**	**253,205**	**1.5%**

(1) institutional customer deposits include securities of the Bancassurance segment of ordinary customers for Euro 2.5 billion (Euro 2.6 billion at 31.12.2020).

In consideration of the ongoing pandemic, the Finance Department is continuing its close monitoring of the levels of operational 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 confirmed its level of attention in monitoring the trend in liquidity, with particular reference to the RAF indicators, in relation to the limits established in the risk policy, and the funding indicators.

Loans and coverage[5]

The total amount of *loans to customers* at 31 March 2021 came to Euro 10.6 billion, all referring to *loans to ordinary customers* (+1.4% on the comparative period).

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

Table 9 – Credit quality at 31 March 2021

	31.03.2021					
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	314,197	2.9%	(194,934)	62.0%	119,263	1.1%
Unlikely to pay	265,877	2.4%	(86,453)	32.5%	179,424	1.7%
Past due impaired loans	4,648	0.0%	(221)	4.8%	4,427	0.0%
Total non-performing loans	**584,722**	**5.3%**	**(281,608)**	**48.2%**	**303,114**	**2.9%**
Exposures in stage 1	8,153,402	74.3%	(17,403)	0.2%	8,135,999	76.6%
Exposures in stage 2	2,229,676	20.3%	(51,784)	2.3%	2,177,892	20.5%
Performing exposures	**10,383,078**	**94.7%**	**(69,187)**	**0.67%**	**10,313,891**	**97.1%**
Total loans to customers	**10,967,800**	**100.0%**	**(350,795)**	**3.2%**	**10,617,005**	**100.0%**

Table 9-bis – Credit quality at 31 December 2020

	31.12.2020					
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	300,886	2.8%	(183,444)	61.0%	117,442	1.1%
Unlikely to pay	278,106	2.6%	(92,096)	33.1%	186,010	1.8%
Past due impaired loans	1,730	0.0%	(162)	9.4%	1,568	0.0%
Total non-performing loans	**580,722**	**5.4%**	**(275,702)**	**47.5%**	**305,020**	**2.9%**
Exposures in stage 1	7,880,023	72.8%	(17,311)	0.2%	7,862,712	75.1%
Exposures in stage 2	2,362,280	21.8%	(56,784)	2.4%	2,305,496	22.0%
Performing exposures	**10,242,303**	**94.6%**	**(74,095)**	**0.72%**	**10,168,208**	**97.1%**
Total loans to customers	**10,823,025**	**100.0%**	**(349,797)**	**3.2%**	**10,473,228**	**100.0%**

[5] Excluding UTP loans of Euro 4.6 million (net) classified as "assets held for sale" as they were sold on 1 April 2021.

Compared with 31 December 2020, the assumptions made in terms of methodology for measuring expected losses (PD estimate, LGD estimate and inclusion of forward-looking factors) have not changed, nor has the approach in terms of post-model adjustments for the transfer of the exposures to stage 2; for more information, reference should be made to the explanation in the section "Basis of preparation" of this Report and in "Part E - Information on risks and related hedging policies" of the Financial Statements at 31 December 2020.

Considering the lack of an adequate probation period to monitor the regularity of the loans granted, for the moratoria that ended in the first quarter of 2021, the same post-model adjustment logic that was adopted at the end of 2020 has been maintained.

The decrease in the coverage of performing loans recorded during the period is essentially attributable to the following circumstances:

- the transfer to non-performing loans of approximately € 21.5 million of exposures with coverage at 31 December 2020 (approximately 6.6%);
- the further increase in the disbursements granted during the period under the Liquidity Decree, Euro 205 million, backed by an MCC/SACE guarantee, for which the average level of coverage is 0.23%;
- the improvement in the overall distribution of ratings due to the derisking carried out by the bank as early as 2020.

The following tables show the distribution by rating range of performing exposures with the related levels of coverage, taking into account the portfolio as a whole, the disbursements made under the "Liquidity Decree" guaranteed by MCC/SACE and the remainder of the portfolio.

Overall portfolio (with rating)

Rating band	31 Mar 21			31 Dec 20			change		
	EAD (mn)	*	Coverage	EAD (mn)	*	Coverage	EAD	*	Coverage
1. High (1-3)	4,116	39.6%	0.12%	3,991	39.0%	0.12%	3.1%	1.7%	-0.7%
2. Average (4-6)	4,678	45.1%	0.80%	4,629	45.2%	0.84%	1.1%	-0.3%	-4.0%
3. Low (7-10)	688	6.6%	3.40%	735	7.2%	3.70%	-6.4%	-7.7%	-8.2%

* with respect to total performing loans and receivables

Disbursements as per Liquidity Decree with MCC/SACE guarantee

Rating band	31 Mar 21			31 Dec 20			change		
	EAD (mn)	*	Coverage	EAD (mn)	*	Coverage	EAD	*	Coverage
1. High (1-3)	977	9.4%	0.10%	884	8.6%	0.10%	10.6%	9.1%	0.3%
2. Average (4-6)	922	8.9%	0.28%	824	8.0%	0.30%	11.9%	10.4%	-5.9%
3. Low (7-10)	118	1.1%	0.96%	105	1.0%	1.02%	12.2%	10.6%	-6.2%

* with respect to total performing loans and receivables

Other disbursements

Rating band	31 Mar 21			31 Dec 20			change		
	EAD (mn)	*	Coverage	EAD (mn)	*	Coverage	EAD	*	Coverage
1. High (1-3)	3,139	30.2%	0.12%	3,107	30.3%	0.12%	1.0%	-0.4%	-0.5%
2. Average (4-6)	3,756	36.2%	0.93%	3,804	37.1%	0.95%	-1.3%	-2.6%	-2.3%
3. Low (7-10)	570	5.5%	3.90%	630	6.1%	4.15%	-9.6%	-10.8%	-5.9%

* with respect to total performing loans and receivables

The following table gives a breakdown of loans to customers by type at 31 March 2021 (compared with 31 December 2020), which shows significant growth in medium/long-term mortgages and loans (+2.3%) 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	31.03.2021	%	31.12.2020	%	Change Amount	Change %
Current accounts	925,663	8.8%	948,828	9.1%	-23,165	-2.4%
Mortgages and other long-term loans	8,956,386	84.4%	8,751,801	83.6%	204,585	2.3%
Other	734,956	6.8%	772,599	7.4%	-37,643	-4.9%
Loans to customers	**10,617,005**	**100.0%**	**10,473,228**	**100.0%**	**143,777**	**1.4%**
- of which non-performing loans	*303,114*	*2.9%*	*305,020*	*2.9%*	*-1,906*	*-0.6%*
- of which performing loans	*10,313,891*	*97.1%*	*10,168,208*	*97.1%*	*145,683*	*1.4%*

The Credit Department, with the support of the Risk Management Department, continued to implement the initiatives to really support the financial needs of businesses and households, including the extensive public credit guarantee programmes, granting legislative moratoria and internal initiatives. The Bank has also adopted specific control measures in order to analyse the trend of the loan portfolio in relation to the negative impacts deriving from the Covid-19 health emergency.

Securities portfolio and the net interbank position

At 31 March 2021 the total financial assets of the Group came to Euro 3.5 billion, a decrease of 0.1% compared with the end of the previous period. With reference to the issuers of securities, the total portfolio at 31 March 2021 relates for 75.6% to government securities, 10.0% to securities issued by banks and the remainder to other issuers.

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

Table 11 – Exposure in sovereign debt securities

Amounts in thousands of Euro		Italy	Spain	31.03.2021 Nominal value	31.03.2021 Book value
Financial assets at fair value through other comprehensive income	up to 1 year	25,000	-	25,000	25,031
	1 to 3 years	500,000	-	500,000	506,609
	3 to 5 years	-	-	-	
	over 5 years	35,000	-	35,000	36,233
	Total	560,000	-	560,000	567,873
Financial assets at amortised cost	up to 1 year	140,000	-	140,000	140,079
	1 to 3 years	1,053,921	-	1,053,921	1,057,250
	3 to 5 years	272,000		272,000	276,021
	over 5 years	594,790	35,000	629,790	637,702
	Total	2,060,711	35,000	2,095,711	2,111,052
Sovereign debt	**up to 1 year**	**165,000**	**-**	**165,000**	**165,110**
	1 to 3 years	**1,553,921**	**-**	**1,553,921**	**1,563,859**
	3 to 5 years	**272,000**	**-**	**272,000**	**276,021**
	over 5 years	**629,790**	**35,000**	**664,790**	**673,935**
	Total	**2,620,711**	**35,000**	**2,655,711**	**2,678,925**

In March 2021, the Bank participated in the TLTRO III auction for an amount of € 1.0 billion, thus bringing the total of TLTRO loans in place to € 3.4 billion.

The *net interbank position* is negative for Euro 1.1 billion, compared with the position at the end of the previous year, which was also negative for Euro 1.4 billion.

Capital and capital adequacy ratios

Shareholders' equity pertaining to the Parent Company Banco Desio at 31 March 2021, including net profit for the period, amounts to Euro 1,064.5 million, compared with Euro 995.1 million at the end of 2020. The positive change of Euro 69.4 million is due to the comprehensive income of the period.

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

At the board meeting on 30 July 2020, the 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 Government debt securities for the period 2020-2022 (exclusion factor of 1 in 2020, 0.70 in 2021 and 0.40 in 2022).

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

Consolidated Own Funds calculated by the financial parent company Brianza Unione amount to Euro 948.9 million at 31 March 2021 (CET1 + AT1 of Euro 868.5 million, T2 of Euro 80.4 million), compared with Euro 927.1 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

	31.03.2021		
	Application of the transitional regime	Without IFRS 9 transitional provisions	Fully loaded
OWN FUNDS			
Common Equity Tier 1 - CET 1	811,829		
Common Equity Tier 1 - CET1 without application of the transitional arrangements		*783,270*	*783,259*
Tier 1 capital	868,473		
Tier 1 capital without application of the transitional arrangements		*839,344*	*839,144*
Total own funds	948,855		
Total own funds without application of the transitional arrangements		*919,086*	*918,937*
RISK ASSETS			
Risk-weighted assets	7,040,274		
Risk-weighted assets without application of the transitional arrangements		*6,969,254*	*6,969,254*
CAPITAL RATIOS			
Common Equity Tier 1 ratio/Risk-weighted assets (CET 1 capital ratio)	11.531%		
Common Equity Tier 1/Risk-weighted assets (CET1 capital ratio) without application of the transitional arrangements		*11.239%*	*11.239%*
Core Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)	12.336%		
Common Equity Tier 1/Risk-weighted assets (Tier 1 capital ratio) without application of the transitional arrangements		*12.044%*	*12.041%*
Total Own Funds/Risk-weighted assets (Total capital ratio)	13.478%		
Total own funds/Risk-weighted assets (Total capital ratio) without application of the transitional arrangements		*13.188%*	*13.186%*

At 31 March 2021, the Common Equity Tier 1 ratio (CET1/Risk-weighted assets) was 11.5% (11.2% at 31 December 2020). The Tier 1 ratio (T1/Risk-weighted assets) was 12.3% (12.0% at 31 December 2020), while the Total capital ratio (total Own Funds/Risk-weighted assets) was 13.5% (13.2% at 31 December 2020).

Consolidated Own Funds calculated at the Banco Desio Group level, after the pay out of 40%, amounted to Euro 1,097.9 million at 31 March 2021 (CET1 + AT1 Euro 1,077.8 million + T2 Euro 20.1 million), compared with Euro 1,057.1 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

	31.03.2021		
	Application of the transitional regime	**Without IFRS 9 transitional provisions**	**Fully loaded**
OWN FUNDS			
Common Equity Tier 1 - CET 1	1,077,395		
Common Equity Tier 1 - CET1 without application of the transitional arrangements		*1,025,745*	*1,025,724*
Tier 1 capital	1,077,775		
Tier 1 capital without application of the transitional arrangements		*1,026,125*	*1,025,724*
Total own funds	1,097,888		
Total own funds without application of the transitional arrangements		*1,046,238*	*1,045,837*
RISK ASSETS			
Risk-weighted assets	7,042,202		
Risk-weighted assets without application of the transitional arrangements		*6,971,181*	*6,971,181*
CAPITAL RATIOS			
Common Equity Tier 1 ratio/Risk-weighted assets (CET 1 capital ratio)	15.299%		
Common Equity Tier 1/Risk-weighted assets (CET1 capital ratio) without application of the transitional arrangements		*14.714%*	*14.714%*
Core Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)	15.305%		
Common Equity Tier 1/Risk-weighted assets (Tier 1 capital ratio) without application of the transitional arrangements		*14.720%*	*14.714%*
Total Own Funds/Risk-weighted assets (Total capital ratio)	15.590%		
Total own funds/Risk-weighted assets (Total capital ratio) without application of the transitional arrangements		*15.008%*	*15.002%*

At 31 March 2021, the Common Equity Tier 1 ratio (CET1/Risk-weighted assets) was 15.3% (14.7% at 31 December 2020). The Tier 1 ratio (T1/Risk-weighted assets) was 15.3% (14.7% at 31 December 2020), while the Total capital ratio (total Own Funds/Risk-weighted assets) was 15.6% (15.1% at 31 December 2020).

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 4.50% for the minimum regulatory requirements and 0.35% for additional requirements as a result of the SREP), while the remainder is represented by the capital conservation buffer;
- ***Tier 1 ratio of 8.95%***, binding for 6.45% (minimum regulatory requirement of 6.00% and additional requirements of 0.45% as a result of the SREP), while the remainder is represented by the capital conservation buffer;
- ***Total Capital Ratio of 11.10%***, binding for 8.60% (minimum regulatory requirement of 8.00% 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.

Profit for the period of 21.1 million euro, up by 14.7 million euro, has benefited from the positive trend in operations (+52.8%) due to both increased operating income (+13.5%) and reduced operating costs (-3.1%). Worth noting in particular are the Result of operations which amounts to about 42.8 million, featuring a containment of operating costs for Euro 2.0 million, an increase in the net interest income of Euro 9.3 million (+19.1%) and net commission income of Euro 2.8 million (+6.8%) and of the net result of financial assets and liabilities of Euro 1.4 million (+78.6%), partially offset by the decrease in other operating income/expense for Euro 0.7 million (-58.2%) and dividends for Euro 0.1 million (-14.6%), dividends from equity investments in subsidiaries for Euro 2.2 million (Euro 1.6 million last year), the containment of the *Cost of credit* which comes to Euro 6.5 million (vs Euro 16.1 million), the balance of *Net adjustments to securities owned*, positive for Euro 0.4 million (negative for Euro 0.3 million in the comparative period), the balance of Net provisions for risks and charges negative for Euro 0.1 million (charges for Euro 1.4 million in the comparative period), the increase in Charges relating to the banking system of Euro 3.5 million and higher Income taxes on current operations for Euro 7.6 million.

The total value of loans to ordinary customers at 31 March 2021 comes to Euro 10.6 billion, an increase of 1.4% compared with the end of 2020.

Shareholders' equity at 31 March 2021, including net profit for the period, amounts to Euro 1,057.6 million, compared with Euro 987.0 million at the end of 2020. The positive change of Euro 70.6 million is due to the trend in comprehensive income for the period. At 31 March 2021 shareholders' equity calculated in accordance with the new regulatory provisions defined as *Own Funds*, after the pay out of 40%, amounts to Euro 1,097.1 million (CET1 + ATI of Euro 1,076.9 million + T2 of Euro 20.2 million), compared with Euro 1,055.3 million at the end of the previous year.

At 31 March 2021, the *Common Equity Tier 1* ratio stood at 16.37% (15.66% at 31 December 2020), the Tier 1 ratio at 16.38% (15.67% at 31 December 2020) and the Total Capital ratio at 16.68% (16.08% at 31 December 2020).

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 2021 comes to Euro 1.4 million, an increase compared with the prior period of Euro 0.7 million; operating income amounted to Euro 4.0 million, up by Euro 0.9 million compared with 31 March 2020, while operating costs totalled Euro 1.9 million (comparative Euro 1.8 million), and the results of operations amounted to Euro 2.1 million (comparative Euro 1.3 million). The *Cost of credit*, amounting to approximately Euro 0.1 million, and *taxes* for Euro 0.7 million (vs 0.3 million euro) lead to the result for the period.

Loans to customers increased from Euro 865.4 million at the end of 2020 to Euro 879.6 million at the reporting date, an increase of Euro 14.2 million (+1.6%).

Book Shareholders' equity at 31 March 2021, including net profit for the period, amounts to Euro 48.1 million, compared with Euro 48.9 million at the end of 2020 (due to the dividend distribution partly offset by the result for the period). Own Funds for supervisory purposes pass from 46.0 million euro at the end of 2020 to 46.1 million euro.

Frame of reference

Sale of the investment in Cedacri S.p.A.

On 5 March 2021, the shareholders of Cedacri, the main Italian operator in the IT services outsourcing market for banks and financial institutions, signed a binding agreement which provides for the sale of their respective shareholdings to ION. Completion of the deal is subject to the fulfilment of certain conditions precedent, as is normal, and is therefore expected to take place by the end of the third quarter of 2021. Given the current state of the sale, at 31 March 2021 Banco Desio is showing the shares (10.072% stake) in "Non-current assets and disposal groups held for sale" at a total value of Euro 114.3 million (with recognition of a capital gain in equity of Euro 50.1 million net of tax compared with the valuation at 31 December 2020).

Approval of Banco Desio's financial statements and allocation of the 2020 result

Banco Desio's Ordinary Shareholders' Meeting of last 15 April approved the financial statements at 31 December 2020. In this context, the Shareholders' Meeting has approved the distribution to shareholders of a dividend of Euro 0.0603 for each of the 122,745,289 ordinary shares and of Euro 0.0724 for each of the 13,202,000 savings shares. In accordance with the Recommendation of the Bank of Italy of 16 December 2020, payment may possibly be made after 30 September 2021 if allowed by the legislative/regulatory framework and/or by the recommendations of the Prudential Supervisory Authority, as positively assessed by the Board of Directors and subsequently by the Shareholders' Meeting and, in any case, in compliance with the Recommendations issued from time to time.

Payment of part of the dividend for 2019

In compliance with the maximum limit on the payment of dividends referred to in the Bank of Italy's Recommendation equal to the lower of 15% of cumulative profits made in 2019-20 or 20 basis points of the CET1 ratio, the Shareholders' Meeting on 15 April passed a resolution, based on the net profit for 2019 destined to the shareholders (as resolved by the Shareholders' Meeting of 23 April 2020), the payment to shareholders of a total dividend of Euro 9,410,368.12 (equal to Euro 0.0679 for each of the 122,745,289 ordinary shares and Euro 0.0815 for each of the 13,202,000 savings shares), with an ex-coupon date (coupon no. 29) of 19 April 2021, a record date of 20 April 2021 and a payment date of 21 April 2021.

The residual amount of the net profit for 2019 destined to the shareholders (as resolved by the Shareholders' Meeting of 23 April 2020), equal to Euro 4,948,372.62 (Euro 0.0357 for each of the 122,745,289 ordinary shares and 0.0429 for each of the 13,202,000 savings shares) may possibly be paid after 30 September 2021 if allowed by the legislative/regulatory framework and/or by the recommendations of the Prudential Supervisory Authority, as positively assessed by the Board of Directors and subsequently by the Shareholders' Meeting and, in any case, in compliance with the Recommendations issued from time to time.

Sustainability rating

On last 14 April, Standard Ethics, a rating agency that rates sustainability, updated Banco Desio's corporate rating, recognising an increase of one notch from the previous “E+” to the current “EE–” which is investment grade. The long-term vision is positive (for the related press release, see the web page:https://standardethics.eu/media-en/press-releases/standard-ethics-upgrades-rating-to-banco-desio-brianza/viewdocument/527).

Distribution network

At 31 March 2021, there are 243 branches ; 4 other branches are expected to close by the end of the half-year (Città di Castello Riosecco, Perugia S. Egidio, Castel Ritaldi La Bruna and Arrone).

Outlook

Macroeconomic scenario

In the first quarter of 2021, there have been many innovations: approval of the first vaccines from the end of last year with the consequent start of vaccinations, the launch of the Biden Administration with a new fiscal stimulus and an important boost to ESG investments, the approaching deadlines related to the presentation of the Recovery Plans in Europe (“Recovery Fund”) and therefore the need to define energy and digital transition strategies. In Italy, the start of the new government led by Mario Draghi. In summary, these are factors that, together with the pandemic year behind us, will characterize the reference scenario for the coming quarters.

In the Euro Area, the delays in the vaccination campaign and the lower fiscal stimuli are being reflected in a slower economic recovery. In the fourth quarter of 2020, GDP posted a decline of -0.7% compared with the previous quarter, with an annual decline of 6.8% (-4.9% annually on a quarterly basis). The United States and China, on the other hand, recorded a better trend in economic activity in 2020 than the Euro Area (respectively -3.5% and +2.2%) thanks to unprecedented fiscal stimulus in the United States (around 15% of GDP) and the sharp increase in investments by public companies in China (around 18% of GDP). These structural divergences are likely to be repeated in 2021, albeit to a lesser extent.

In the United States, the size of the latest fiscal stimulus has led to a sharp rise in long-term interest rates. The boost that the stimulus is giving to the recovery has recently created concerns that inflationary pressures may be created and that the Fed may have to intervene earlier than expected (end of 2023). The large debt issuances that the US Treasury will have to carry out to finance the recently approved measures, therefore, could have an effect (called "crowding-out") of reducing loans to the private sector and this has led to higher long-term real interest rates, generating tighter monetary conditions. Equity indices were affected, long-term interest rates rose also in the Euro Area and many emerging nation currencies weakened. In 2021, inflation is expected to settle at around 3% on average, thanks to the ongoing economic recovery and the recent increase in the price of oil, although long-term expectations still remain low (10-year expectations are slightly higher than 2%).

In the Euro Area, a new tightening of the restriction measures was necessary in the last quarter of 2020 due to another wave of infections: new restrictions have in fact interrupted the recovery process in all the main economies in the Euro Area, though with some differences. Compared with the same period last year, Italy recorded a 6% quarterly decline in economic activity, more intense than the Euro Area average and only less severe than in Spain (-8.5%). The statistics for the first quarter of 2021 still show sector differentiation, even if the gap in uncertainty between the manufacturing and service sectors seems to be narrowing, at least in part. There is also instability from a temporal point of view, with the first few months of the year characterised by moderately positive information, while the indications for March, even if limited, show greater uncertainty, due to the recent upsurge in the health emergency.

The information available for China suggests that at the end of 2020, growth was back in line with pre-crisis trends, in terms of both GDP (+2.6% in the fourth quarter) and the contribution made by consumer spending, which was still missing up to last summer. Overall, at the end of 2020, GDP stood at +2.2%: initially, the epidemic strongly compromised above all consumption and the ability to export, significantly reducing GDP. In a second phase there was a robust recovery thanks to public investments and exports: in essence, China regained production capacity while the rest of the world lost it due to the desynchronized pandemic lockdown of several weeks compared with the Chinese one. In the fourth quarter of 2020, the economy returned to a sort of normality, both as regards the amount of growth and composition, thanks to the strong recovery in consumption favoured by the easing of the anti-Covid-19 measures most closely connected to them and the contribution of net exports, favoured by some sectors linked to Covid-19 such as medical products, vaccines and electronics. In the absence of a new upsurge, assuming a gradual return of extraordinary fiscal and monetary policy, consumption and investment will also be the main engines of the country's economic growth in 2021.

Overall, the pandemic is leaving behind significantly higher private and public debt worldwide than the pre-crisis levels, which will tend to constrain growth in the medium term. If, on the one hand, this has avoided the pandemic having a higher economic cost than what we can see, on the other hand, it is making the world's major economies more fragile in a perspective in which the role of the public sector will remain in the foreground. It will therefore be crucial to carefully manage the change in the tone of economic policy in order to keep the risks of new crises to a minimum. The world economy is in fact called upon to promote more sustainable growth from the climate point of view in defence of the world population, but this will require resources and commitments that will have to know how to go beyond national borders.

The outlook for the current year

Based on the figures at 31 March 2021, it is reasonable to assume that the final result for the year will be positive, providing the macro economic scenario or the Group's key markets do not suffer critical circumstances.

The current economic crisis scenario caused by the Covid-19 pandemic still represents a variable that may affect the estimates expected for the coming years, which generally depend on multiple factors that go beyond management's control.

For the specific information dedicated to the description of the health emergency context in which this Report was prepared, as well as the uncertainties and significant risks related to it, please refer to the section below called "Basis of preparation" (or the information contained in the Consolidated Financial Statements at 31 December 2020).

In consideration of the Bank's capital solidity and careful derisking approach, the low NPL ratio and the overall initiatives adopted to minimise the effects of the pandemic (which were taken into account in the definition of the 2021-2023 Business Plan approved in December 2020), the consolidated quarterly financial report at 31 March 2021 has been prepared on a going-concern basis.

Basis of preparation

This *"Consolidated quarterly report at 31 March 2021"* 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 explanatory notes to the consolidated financial statements at 31 December 2020.

In terms of financial disclosure, as the consolidated quarterly report has been prepared in accordance with art. 154-ter, paragraph 5 TUB and for the purposes of determining capital for supervisory purposes (Own Funds), it does not include the explanatory notes that would be required to present the Group's financial position and results of operations for the period in accordance with IAS 34.

Main factors of uncertainty

Among the main factors of uncertainty that could affect the future scenarios in which the Group will have to operate, the negative effects on the global and Italian economy, directly or indirectly linked to developments in the Covid-19 epidemic, must not be underestimated.

The section entitled "Risks, uncertainties and impacts of the Covid-19 epidemic" in the notes to the consolidated financial statements at 31 December 2020, to which reference should be made as it is still applicable, gave a detailed explanation of the estimation processes that require the use of significant elements of judgement in the selection of underlying hypotheses and assumptions, particularly conditioned by the negative effects of the pandemic. Then there is an explanation of the practical solutions adopted by the Group, well aware of its role in providing the necessary support to its stakeholders, both individuals and companies, characterised in the current context by significant levels of uncertainty and volatility.

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.

New definition of default applicable for the Banco Desio Group starting from 1 January 2021

In the identification of non-performing loans, the new European supervisory rules on the classification of "debtors in default" have been applied since 1 January 2021. They introduced more stringent criteria and methods than those previously adopted by Italian banking intermediaries and financial institutions in the disbursement of loans, assessment of credit and classification as default, with a view to containing and improving credit quality and overall supervision of banking operations. The changes introduced are summarised below.

<u>New calculation of the past due loans</u>

- Lowering of the "related" materiality threshold from 5% to 1%
- The calculation of this threshold is represented by the ratio between the amount in arrears and the customer's overall exposure, both calculated at Group level without offsetting any margins available on other lines of credit.
- Introduction of an "absolute" materiality threshold differentiated by type of exposure, i.e. Euro 100 for retail exposures and Euro 500 for non-retail exposures.
- Classification of a debtor in default when both materiality thresholds are exceeded at the same time for more than 90 consecutive days
- Calculation of past due loans and thresholds exceeded at Group level

Observation period of 3 months (cure period)

- Introduction of an observation period of at least 3 months in preparation for the reclassification to performing loans for debtors previously classified as default (past due, UTPs and bad loans) who then regularise their position.

Reduced financial obligation

- Introduction of the calculation of "Reduced Financial Obligation", the new UTP trigger for each concession measure made to a customer in financial difficulty. The calculation of the reduced financial obligation is carried out in a situation of forbearance.

Propagation rules

- Introduction of new rules for the propagation of the state of default of a performing position on the basis of an existing link with other positions classified as being in default.

Uniformity of classification:

- Homogeneous classification of a debtor in default at Banking Group level.

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

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, 6 May 2021

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 31 March 2021 are an integral part of the consolidated quarterly report at 31 March 2021. KPMG S.p.A., the independent auditors, are completing their limited audit tests with a view to issuing the report needed for inclusion of the profit for the period in the Bank's own funds.

Desio, 6 May 2021

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	31.03.2021	31.12.2020	Change Amount	%
10. Cash and cash equivalents	48,990	56,525	(7,535)	-13.3%
20. Financial assets at fair value through profit or loss	63,094	56,702	6,392	11.3%
a) Financial assets held for trading	8,759	6,239	2,520	40.4%
c) Other financial assets mandatorily at fair value	54,335	50,463	3,872	7.7%
30. Financial assets at fair value through other comprehensive income	592,555	662,646	(70,091)	-10.6%
40. Financial assets at amortised cost	15,837,553	14,332,345	1,505,208	10.5%
a) Due from banks	2,665,384	1,365,759	1,299,625	95.2%
b) Loans to customers	13,172,169	12,966,586	205,583	1.6%
60. Adjustment to financial assets with generic hedge (+/-)	548	563	(15)	-2.7%
90. Property, plant and equipment	219,004	222,483	(3,479)	-1.6%
100. Intangible assets	18,451	18,513	(62)	-0.3%
of which:				
- goodwill	15,322	15,322		
110. Tax assets	191,735	205,131	(13,396)	-6.5%
a) current	11,326	18,306	(6,980)	-38.1%
b) deferred	180,409	186,825	(6,416)	-3.4%
120. Non-current assets and disposal groups held for sale	118,923	-	118,923	0.0%
130. Other assets	112,526	108,614	3,912	3.6%
Total assets	**17,203,379**	**15,663,522**	**1,539,857**	**9.8%**

Liabilities and shareholders' equity	31.03.2021	31.12.2020	Change Amount	%
10. Financial liabilities at amortised cost	15,587,852	14,276,954	1,310,898	9.2%
a) Due to banks	3,391,864	2,412,244	979,620	40.6%
b) Due to customers	10,562,985	10,255,783	307,202	3.0%
c) Debt securities in issue	1,633,003	1,608,927	24,076	1.5%
20. Financial liabilities held for trading	7,877	7,527	350	4.6%
40. Hedging derivatives	1,248	1,540	(292)	-19.0%
60. Tax liabilities	13,795	13,491	304	2.3%
b) deferred	13,795	13,491	304	2.3%
80. Other liabilities	456,456	297,233	159,223	53.6%
90. Provision for termination indemnities	24,056	24,740	(684)	-2.8%
100. Provisions for risks and charges	47,582	46,962	620	1.3%
a) commitments and guarantees given	4,275	4,947	(672)	-13.6%
c) other provisions for risks and charges	43,307	42,015	1,292	3.1%
120. Valuation reserves	115,506	66,096	49,410	74.8%
150. Reserves	842,151	818,447	23,704	2.9%
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 (+/-)	20,014	23,690	(3,676)	-15.5%
Total liabilities and shareholders' equity	**17,203,379**	**15,663,522**	**1,539,857**	**9.8%**

Table A 2 – Consolidated income statement

Captions		31.03.2021	31.03.2020	change Amount	%
10	Interest and similar income	74,065	64,077	9,988	15.6%
20	Interest and similar expense	(9,723)	(10,307)	584	-5.7%
30.	**Net interest income**	**64,342**	**53,770**	**10,572**	**19.7%**
40	Commission income	47,655	45,053	2,602	5.8%
50	Commission expense	(4,464)	(4,490)	26	-0.6%
60.	**Net commission income**	**43,191**	**40,563**	**2,628**	**6.5%**
70.	Dividends and similar income	479	561	(82)	-14.6%
80.	Net trading income	1,794	629	1,165	185.2%
100.	Gains (losses) on disposal or repurchase of:	2,894	2,866	28	1.0%
	a) financial assets measured at amortised cost	1,017	865	152	17.6%
	b) financial assets designated at fair value through other comprehensive income	1,942	2,013	(71)	-3.5%
	c) financial liabilities	(65)	(12)	(53)	441.7%
110.	Net result of other financial assets and liabilities designated at fair value through profit or loss	(1,493)	(1,480)	(13)	0.9%
	b) other financial assets that have to be measured at fair value	(1,493)	(1,480)	(13)	0.9%
120.	**Net interest and other banking income**	**111,207**	**96,909**	**14,298**	**14.8%**
130.	Net value adjustments/write-backs for credit risk relating to:	(7,593)	(18,054)	10,461	-57.9%
	a) financial assets measured at amortised cost	(7,647)	(18,079)	10,432	-57.7%
	b) financial assets designated at fair value through other comprehensive income	54	25	29	116.0%
140.	Profit/losses from contractual changes without write-offs	3	(126)	129	n.s.
150.	**Net profit from financial activities**	**103,617**	**78,729**	**24,888**	**31.6%**
180.	**Net profit from financial and insurance activities**	**103,617**	**78,729**	**24,888**	**31.6%**
190.	Administrative costs:	(76,470)	(73,396)	(3,074)	4.2%
	a) payroll costs	(42,907)	(42,434)	(473)	1.1%
	b) other administrative costs	(33,563)	(30,962)	(2,601)	8.4%
200.	Net provisions for risks and charges	(133)	(1,280)	1,147	-89.6%
	a) commitments for guarantees given	672	(55)	727	n.s.
	b) other net provisions	(805)	(1,225)	420	-34.3%
210.	Net adjustments to property, plant and equipment	(4,063)	(4,383)	320	-7.3%
220.	Net adjustments to intangible assets	(377)	(304)	(73)	24.0%
230.	Other operating charges/income	7,922	8,410	(488)	-5.8%
240.	**Operating costs**	**(73,121)**	**(70,953)**	**(2,168)**	**3.1%**
290.	**Profit (loss) from current operations before tax**	**30,496**	**7,776**	**22,720**	**292.2%**
300.	Income taxes on current operations	(10,482)	(2,675)	(7,807)	291.9%
310.	**Profit (loss) from current operations after tax**	**20,014**	**5,101**	**14,913**	**292.4%**
330.	**Net profit (loss) for the period**	**20,014**	**5,101**	**14,913**	**292.4%**
350.	**Parent Company net profit (loss)**	**20,014**	**5,101**	**14,913**	**292.4%**

Table A 3 – Consolidated Statement of Other Comprehensive Income

	Captions	31.03.2021	31.03.2020
10.	**Net profit (loss) for the period**	**20,014**	**5,101**
	Other elements of income, net of income taxes without reversal to income statement		
20.	Equity instruments designated at fair value through other comprehensive income	50,130	-
70.	Defined-benefit pension plans	195	1,054
	Other elements of income, net of income taxes with reversal to income statement		
120.	Cash-flow hedges	202	76
140.	Financial assets (other than equities) designated at fair value through other comprehensive income	(1,117)	(4,748)
170.	**Total other elements of income (net of income taxes)**	**49,410**	**(3,618)**
180.	**Total comprehensive income (Captions 10+170)**	**69,424**	**1,483**
190.	Total comprehensive income pertaining to minority interests	-	-
200.	**Total consolidated comprehensive income pertaining to Parent Company**	**69,424**	**1,483**

Note. Caption 20 "- Equity instruments designated at fair value through other comprehensive income" includes the increase in reserves that arose from updating the valuation of the investment in Cedacri S.p.A., (booked to "Non-current assets and disposal groups held for sale") totalling Euro 50.1 million (53.8 million euro including the tax effect).

Table A 4 – Statement of changes in consolidated shareholders' equity for the period 1 January – 31 March 2021

	Balance at 31.12.2020	Changes in opening balances	Balance at 01.01.2021	Allocation of prior year results		Changes during the year									Group shareholders' equity at 31.03.2021	Minority interests at 31.03.2021
						Changes in reserves	Transactions on shareholders' equity							Comprehensive income at 31.03.2021		
				Reserves	Dividends and other allocations		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	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	798,517		798,517	23,895		14									822,426	
b) other	19,934		19,934	(205)											19,725	4
Valuation reserves:	66,096		66,096											49,410	115,506	
Equity instruments																
Treasury shares																
Net profit (loss) for the period	23,690		23,690	(23,690)										20,014	20,014	
Group shareholders' equity	**995,071**		**995,071**			**14**								**69,424**	**1,064,509**	
Minority interests	**4**		**4**													**4**

Table A 5 – 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: 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 31.03.2020	Group shareholders' equity at 31.03.2020	Minority interests 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 reserve	16.145		16.145												16.145	
Reserves:																
a) from profits	768.080		768.080	44.887											812.967	
b) other	24.665		24.665	(4.731)											19.930	4
Valuation reserves:	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 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	***1,057,603***	***21,138***
Effect of consolidation of subsidiaries	6,906	1,080
Dividends declared during the period	-	-2,204
Consolidated balance of the Banco Desio Group	**1,064,509**	**20,014**

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	**20,014**
Elements deducted	8,455
- proposed dividends to shareholders of the Bank (40% pay-out)	*8,455*
Net profit attributable to Tier 1 capital in Own Funds	**11,559**