PRESS RELEASE

CONSOLIDATED RESULTS AT 30 JUNE 2021

The Board of Directors of Banco di Desio e della Brianza S.p.A. has approved the "Consolidated Interim Financial Report at 30 June 2021"

Consolidated net profit of Euro 36.8 million with an annualised ROE of 6.3%. The operating profit rose strongly (+47.8%) thanks to an increase in revenues (+16.3%); cost/income ratio of 62.3% (vs 69.7%)[1]. NPL ratio down to 5.1% (from 5.4%), coverage levels of non-performing loans at 50.6% (47.5%) and performing loans at 0.77% (0.72%). Further strengthening of capital (CET1 of the Banco Desio Group +85 bps compared with 31.12.20) thanks to the profitability of the period, continuous derisking and the positive effects of selling the investment in Cedacri S.p.A.

Important growth in all of the main commercial priorities of the strategic plan: in particular asset management and bancassurance products, e-money and customer loans, with a focus on personal loans and mortgages.

PROFITABILITY

- ✓ **CONSOLIDATED NET PROFIT at Euro 36.8 million with an annualised ROE of 6.3%, confirming the Group's commercial strength and resilience. Result of operations up (+47.8%) due to the effect of a positive trend in income (+16.3%). *Cost/income ratio of 62.3% (vs 69.7%)*[1]**
- ✓ **Net commission income (+19.2%) has benefited from the positive trend in revenues deriving from assets under management and bancassurance (+27.9% on distribution of UCITS and 17.6% on insurance products)**

CAPITAL SOLIDITY [2]

- ✓ **SIGNIFICANT CAPITAL STRENGTHENING (CET1 of the Banco Desio Group +85 bps compared with 31.12.20) due to the profit for the period, continuous derisking and the positive impact of selling the investment in Cedacri S.p.A.**

Ratios[3]	Banco Desio Brianza	Banco Desio Group	Brianza Unione Group [4]
CET 1	16.61%	15.52%	11.68%
TIER 1	16.62%	15.52%	12.49%
Total Capital	16.83%	15.72%	13.59%

SUPPORT FOR THE ECONOMY

- ✓ **LOANS TO ORDINARY CUSTOMERS come to Euro 10.9 billion (+3.9%) 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 (+2.5%) and INDIRECT DEPOSITS of Euro 17.4 billion (+5.6%, of which ORDINARY CUSTOMERS +6.9%)**
- ✓ **Ratio of Ordinary customer loans/Direct deposits of 89.9% (vs 88.7%)**

LIQUIDITY AND ASSET QUALITY

- ✓ **LIQUIDITY well under control with the liquidity coverage ratio (LCR) at 218.3% (vs 206.7% at 31.12.2020)**
- ✓ **PROPORTION OF NPLs down:**

  ***Net non-performing loans/Net loans ratio of 2.6%* (vs 2.9% at 31.12.2020)**

  ***Gross non-performing loans/Gross loans ratio* of 5.1% (vs 5.4%)**

  ***Net doubtful loans/Net loans ratio of 1.1%* (vs 1.1%)**

  ***Gross doubtful loans/Gross loans ratio of 2.8%* (vs 2.8%)**
- ✓ **LEVELS OF COVERAGE of non-performing and performing loans increasing**

  Doubtful loans at 63.2%, 64.3% gross of write-offs (61.0% and 62.2% at 31.12.2020)

  Non-performing loans at 50.6% (vs 47.5%), 51.3% gross of write-offs (vs 48.4%)

  Performing loans at 0.77% (vs 0.72%)

---

[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 49.96% of Banco di Desio and della Brianza S.p.A. (of which it holds 50.47% of the ordinary shares and 45.15% 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.

***

The Board of Directors of Banco di Desio e della Brianza S.p.A., met on 3 August 2021 and approved the *Consolidated interim financial report at 30 June 2021*, prepared pursuant to art. 154-*ter* of D.Lgs. 58/1998 (CFA), implementing D.Lgs. 195 of 6 November 2007 (the so-called "Transparency Directive") and drawn up in compliance with applicable international accounting standards recognised in the European Community in accordance with EU Regulation 1606 of 19 July 2002, especially IAS 34 - Interim financial statements, and Bank of Italy Circular 262 of 22 December 2005 (6th update).

***

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, 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, make the application of accounting standards based on current market values and forward-looking valuations particularly complex.

Consolidated balance sheet

Total customer funds under management at 30 June 2021 reached Euro 29.5 billion, representing an increase for some Euro 1.2 billion with respect to the 2020 year end balance (4.3%), attributable to the upward trend in both indirect (+5.6%) and direct deposits (+2.5%).

Direct deposits at the end of the first half amounted to Euro 12.1 billion, an increase of 2.5% which comes from the higher amounts due to customers of Euro 0.3 billion (+3.0%), partially offset by a reduction in debt securities in issue (-0.7%).

Overall, at 30 June 2021 *indirect deposits* posted an increase of 5.6% compared with the end of the previous year, coming in at Euro 17.4 billion. This trend is attributable to deposits from institutional customers (+3.5%) as well as to deposits from ordinary customers (+6.9%) thanks to the performance of assets under management (+8.0%) and assets under administration (+4.4%).

The value of *loans to ordinary customers* [5] at 30 June 2021 amounts to Euro 10.9 billion, up on the previous year's balance (+3.9%), due to continuous derisking of the portfolio thanks to the disbursements of new liquidity (mortgages and medium/long-term loans) to companies with guarantees from Medio Credito Centrale and SACE.

At 30 June 2021, the Group's total financial assets amounted to some Euro 3.6 billion, an increase of some Euro 0.1 billion compared with the end of 2020 (+2.9%). Long-term investment policy (*Held to collect* portfolio) is characterised by a significant exposure to Italian government securities, albeit with participation in primary market operations on a select number of corporate issuers. The diversification policy continued with the inclusion in the portfolio of some tranches of Asset Backed Securities (ABS) with a low risk profile and low capital absorption.

The Group's net interbank position at 30 June 2021 is negative for Euro 1.3 billion, compared with the position at the end of the previous year, which was also negative for Euro 1.4 billion.

Shareholders' equity pertaining to the Parent Company at 30 June 2021, including net profit for the period, amounts to Euro 1,073.4 million, compared with Euro 995.1 million at the end of 2020. The positive change of Euro 78.3 million is attributable to the result for the period and the effect on reserves of the sale of the investment in Cedacri S.p.A., partially offset by the decrease due to the decision to distribute the 2020 dividend.

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 of the Parent Company 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).

With reference to the Banco Desio Banking Group, after paying out 40% envisaged by the dividend policy, *Own Funds* amounted to Euro 1,110.2 million at 30 June 2021 (CET 1 + AT1 Euro 1,096.6 million + T2 Euro 13.6 million), compared with Euro 1,057.1 million at the end of the previous year. The Common Equity Tier 1 ratio (CET1/Risk-weighted assets) was 15.5% (14.7% at 31 December 2020). The Tier 1 ratio (T1/Risk-weighted assets) was 15.5% (14.7% at 31 December 2020), while the Total capital ratio (total Own Funds/Risk-weighted assets) was 15.7% (15.1% at 31 December 2020).

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. The *Consolidated Own Funds* calculated by the financial parent company Brianza Unione amount to Euro 959.5 million at 30 June 2021 (CET1 + AT1 of Euro 881.8 million + T2 of Euro 77.7 million), compared with Euro 927.1 million at the end of the previous year. The Common Equity Tier 1 ratio (CET1/Risk-weighted assets) was 11.7% (11.2% at 31 December 2020). The Tier 1 ratio (T1/Risk-weighted assets) was 12.5% (12.0% at 31 December 2020), while the Total capital ratio (total Own Funds/Risk-weighted assets) was 13.6% (13.2% at 31 December 2020).

[5] Excluding non-performing loans of Euro 2.4 million (net) classified as "assets held for sale" as they were sold in July.

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:

- CET1 ratio of 7.35%, binding for 4.85% (minimum regulatory requirement of 4.50% and additional requirements of 0.35% 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.

The solidity of the Group is confirmed with respect to the requirements.

Consolidated income statement

The *Profit for the period* is up by Euro 27.2 million (+283.9%), benefiting from the positive trend of operations (+47.8%) and from a non-recurring profit of Euro 7.6 million (loss of Euro 0.5 million in the comparative period).

The main cost and revenue items in the reclassified income statement are analysed below.

Operating income

Core revenues increased by about Euro 31.3 million with respect to the comparative period (+16.3%), amounting to Euro 223.5 million. The trend is attributable to the growth in *net interest income* of 16.4 million (+15.6%), *net commission income* of Euro 15.3 million (+19.2%) and the *net result of financial assets and liabilities* of Euro 0.3 million (+5.6%), partially offset by the decrease in other operating income/expense of Euro 0.7 million (-43.4%).

Lastly, dividends come in at Euro 0.5 million, in line with the comparative period.

Operating costs

Operating costs, which include *payroll costs, other administrative expenses and net adjustments to property, plant and equipment and intangible assets* amounted to around Euro 132.3 million and have increased, with respect to the comparative period, by Euro 1.8 million (+1.4%).

Other administrative costs decreased by Euro 2.1 million (-4.9%), whereas *payroll costs* increased by 3.9 million (+4.7%) versus the comparative period. The balance of *net adjustments to property, plant and equipment and intangible assets* is in line with the comparative period (+0.4%).

Result of operations

The *result of operations* at 30 June 2021 therefore amounted to Euro 91.1 million, up on the comparative period (+47.8%).

Net profit (loss) from operations after tax

The *result of operations* of Euro 91.1 million leads to a *net profit (loss) from operations after tax* of Euro 29.3 million, 190.0% up on the Euro 10.1 million in the comparative period, mainly because of:

- the *cost of credit* (*net impairment adjustments to financial assets measured at amortised cost plus gains (losses) on disposal or repurchase of loans*) of Euro 38.7 million (vs Euro 40.0 million in the previous period);
- *net adjustments to proprietary securities* of Euro 0.1 million (Euro 1.3 in the comparative period);
- negative *net provisions for risks and charges*, Euro 1.8 million (negative for Euro 3.3 million in the comparative period);
- *charges relating to banking system* for ordinary contributions of Euro 6.8 million (vs Euro 3.4 million);

- *income taxes on continuing operations* of Euro 14.4 million (vs Euro 3.8 million).

Result of non-recurring items after tax

At 30 June 2021 there was a non-recurring profit after tax of Euro 7.6 million (negative for Euro 0.5 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.,
- the Euro 2.2 million charge for the extraordinary contribution to the SRM requested by the national resolution authority in June 2021,
- the revenue of approximately Euro 0.9 million recognised to adjust the liability recorded in 2020 for access to the "Income support solidarity fund" following the negotiations with all the previously identified resources,

net of the related positive tax effect of Euro 0.5 million. *Income taxes from non-recurring items* also include the positive economic effect of Euro 9.4 million deriving from the realignment of goodwill and all property (so-called "step-up"), carried out pursuant to art. 110, para. 8 and para. 8-bis, of Legislative Decree 104/2020 (the "August Decree"), which provided for the possibility of realigning tax values to the higher statutory carrying amounts of business assets by subjecting the difference to a substitute tax of 3%.

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,
- the Euro 1.1 million charge for the extraordinary contribution to the SRM requested by the national resolution authority in June 2020,

net of the related tax effects of Euro 0.2 million.

Profit for the period pertaining to the Parent Company

The total of the *profit from operations after tax* and the *non-recurring profit after tax*, as well as the *result attributable to minority interests*, leads to a net profit for the Parent Company at 30 June 2021 of Euro 36.8 million.

***

The Group's distribution network at 30 June 2021 consists of 239 branches.

***

At 30 June 2021, the Group had 2,180 employees, an increase of 1 person compared with the end of the previous period. As a result of the Agreement signed with the trade unions on 26 November 2020, 43 Banco Desio employees have left the Bank as they have been able to access the Solidarity and/or Retirement Fund from 1 July 2021.

***

Today, the Board of Directors resolved to call an Ordinary Shareholders' Meeting on 4 October 2021 as well (in addition to the Extraordinary Shareholders' Meeting already called for the proposal to convert the savings shares into ordinary shares referred to in the press release of 17 June 2021), to discuss the following matters.

1. Resolutions regarding the payment of dividends for 2019 (for the residual part) and 2020, in accordance with the Recommendations of the Bank of Italy[6]

[6] Most recently, the Recommendation of the Bank of Italy of 27 July 2021, which is available at the following web address: https://www.bancaditalia.it/media/comunicati/documenti/2021-02/cs-2021.07.27-politiche-dividendi-remunerazioni-variabili.pdf?pk_campaign=EmailAlertBdi&pk_kwd=it

2. Constitution of a restriction for tax purposes on a specific equity reserve due to the realignment of the tax values of certain assets to their higher book values pursuant to art. 110, paragraphs 8 and 8-bis, Legislative Decree no. 104/2020
3. Appointment of a new Director to replace a deceased Director appointed on the majority list
4. Settlement of the liability action against officers of the former subsidiary Banca Popolare di Spoleto S.p.A.

A possible dividend proposal will be presented to the Shareholders' Meeting following talks with the Bank of Italy.

The notice of calling will be publicised in accordance with the law.

***

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, 3 August 2021

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

Financial Reporting Manager

Mauro Walter Colombo

***

The tables relating to the consolidated reclassified balance sheet and income statement at 30 June 2021 are attached.

The consolidated interim financial report at 30 June 2021 is subject to a limited audit by KPMG S.p.A., which is currently being completed.

Desio, 3 August 2021

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

The Chairman
Stefano Lado

***

Investor Relator
Giorgio Besana

Mobile 331/6754649
giorgio.besana@bancodesio.it

Corporate Affairs Area

Tel. 0362/613.214
segreteriag@bancodesio.it

Marco Rubino di Musebbi
Community Srl
Communication consultancy
Mobile 335/6509552
marco.rubino@communitygroup.it

Attachments

Consolidated balance sheet

Assets	30.06.2021	31.12.2020	change Amount	%
10. Cash and cash equivalents	48,663	56,525	(7,862)	-13.9%
20. Financial assets at fair value through profit or loss	71,640	56,702	14,938	26.3%
a) Financial assets held for trading	9,804	6,239	3,565	57.1%
c) Other financial assets mandatorily at fair value	61,836	50,463	11,373	22.5%
30. Financial assets at fair value through other comprehensive income	608,284	662,646	(54,362)	-8.2%
40. Financial assets at amortised cost	15,943,892	14,332,345	1,611,547	11.2%
a) Due from banks	2,438,972	1,365,759	1,073,213	78.6%
b) Loans to customers	13,504,920	12,966,586	538,334	4.2%
60. Adjustment to financial assets with generic hedge (+/-)	533	563	(30)	-5.3%
90. Property, plant and equipment	219,935	222,483	(2,548)	-1.1%
100. Intangible assets	18,866	18,513	353	1.9%
of which:				
- goodwill	15,322	15,322		
110. Tax assets	188,028	205,131	(17,103)	-8.3%
a) current	12,095	18,306	(6,211)	-33.9%
b) deferred	175,933	186,825	(10,892)	-5.8%
120. Non-current assets and disposal groups held for sale	2,440	-	2,440	
130. Other assets	167,204	108,614	58,590	53.9%
Total assets	**17,269,485**	**15,663,522**	**1,605,963**	**10.3%**

Liabilities and shareholders' equity	30.06.2021	31.12.2020	change Amount	%
10. Financial liabilities at amortised cost	15,538,782	14,276,954	1,261,828	8.8%
a) Due to banks	3,383,733	2,412,244	971,489	40.3%
b) Due to customers	10,558,126	10,255,783	302,343	2.9%
c) Debt securities in issue	1,596,923	1,608,927	(12,004)	-0.7%
20. Financial liabilities held for trading	7,358	7,527	(169)	-2.2%
40. Hedging derivatives	943	1,540	(597)	-38.8%
60. Tax liabilities	3,084	13,491	(10,407)	-77.1%
a) current	1,064		1,064	0.0%
b) deferred	2,020	13,491	(11,471)	-85.0%
80. Other liabilities	574,583	297,233	277,350	93.3%
90. Provision for termination indemnities	23,985	24,740	(755)	-3.1%
100. Provisions for risks and charges	47,344	46,962	382	0.8%
a) commitments and guarantees given	4,235	4,947	(712)	-14.4%
c) other provisions for risks and charges	43,109	42,015	1,094	2.6%
120. Valuation reserves	18,442	66,096	(47,654)	-72.1%
150. Reserves	931,279	818,447	112,832	13.8%
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 (+/-)	36,843	23,690	13,153	55.5%
Total liabilities and shareholders' equity	**17,269,485**	**15,663,522**	**1,605,963**	**10.3%**

Reclassified consolidated income statement

Captions *Amounts in thousands of Euro*		30.06.2021	30.06.2020	Change Amount	%
10+20	Net interest income	121,131	104,759	16,372	15.6%
70	Dividends and similar income	514	586	-72	-12.3%
40+50	Net commission income	95,224	79,899	15,325	19.2%
80+90+100 +110	Net result of financial assets and liabilities	5,722	5,419	303	5.6%
230	Other operating income/expense	879	1,553	-674	-43.4%
	Operating income	**223,470**	**192,216**	**31,254**	**16.3%**
190 a	Payroll costs	-86,879	-83,013	-3,866	4.7%
190 b	Other administrative costs	-40,711	-42,802	2,091	-4.9%
210+220	Net adjustments to property, plant and equipment and intangible assets	-4,752	-4,735	-17	0.4%
	Operating costs	**-132,342**	**-130,550**	**-1,792**	**1.4%**
	Result of operations	**91,128**	**61,666**	**29,462**	**47.8%**
130a+100a	Cost of credit	-38,677	-39,977	1,300	-3.3%
130 b	Net adjustments to securities owned	-106	-1,325	1,219	-92.0%
140	Profit/losses from contractual changes without write-offs	-24	225	-249	n.s.
200 a	Net provisions for risks and charges - commitments and guarantees given	712	-1,878	2,590	n.s.
200 b	Net provisions for risks and charges - other	-2,536	-1,390	-1,146	82.4%
	Charges relating to the banking system	-6,795	-3,443	-3,352	97.4%
	Profit (loss) from operations before tax	**43,702**	**13,878**	**29,824**	**214.9%**
300	Income taxes on continuing operations	-14,434	-3,787	-10,647	281.1%
	Profit (loss) from continuing operations after tax	**29,268**	**10,091**	**19,177**	**190.0%**
	Provisions for risks and charges, other provisions, one-off expenses and revenue	-2,270	-728	-1,542	211.8%
	Non-recurring result before tax	**-2,270**	**-728**	**-1,542**	**211.8%**
	Income taxes from non-recurring items	9,845	235	9,610	n.s.
	Non-recurring profit (loss) after tax	**7,575**	**-493**	**8,068**	**n.s.**
330	**Net profit (loss) for the period**	**36,843**	**9,598**	**27,245**	**283.9%**
340	Net profit (loss) pertaining to minority interests	0	0	0	n.s.
350	**Parent Company net profit (loss)**	**36,843**	**9,598**	**27,245**	**283.9%**