PRESS RELEASE

CONSOLIDATED RESULTS AT 30 JUNE 2020

The Board of Directors of Banco di Desio e della Brianza S.p.A. has approved the "Consolidated Interim Financial Report at 30 June 2020"

Strong capital strengthening (70 basis points) driven by regulatory interventions and portfolio repositioning. Volumes of loans and deposits in progressive growth, "Covid-19" effect on revenues gradually absorbed and partially offset by the cost containment measures (-2.1% despite the extraordinary costs incurred for the emergency). Profitability impacted by prudential action on provisions especially for performing loans, with ROE at 2.1%. Asset quality ratios and coverage above average for the system.

PROFITABILITY

- ✓ **CONSOLIDATED NET PROFIT of 9.6 million euro with an annualised ROE of 2.1%, confirming the resilience of the Banco Desio Group, despite the slowdown in the economy and a significantly increasing cost of risk (+48.5) mainly due to including the economic projections of the Covid-19 epidemic in the risk models.**

CAPITAL SOLIDITY [1]

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

Capital ratios[2]	Banco Desio Brianza	Banco Desio Group	Brianza Unione Group[3]
CET 1	14.87%	13.77%	10.73%
TIER 1	14.88%	13.78%	11.54%
Total Capital	15.48%	14.34%	12.81%

SUPPORT FOR THE ECONOMY

- ✓ **Almost 24 thousand moratorium "Covid-19" requests processed for over 2.9 billion euro.**
- ✓ **More than 14 thousand requests from businesses for liquidity approved for a total of 1.2 billion euro ("DL Liquidità")**
- ✓ **LOANS TO ORDINARY CUSTOMERS at the end of the half-year stood at Euro 9.6 billion, rising in the second quarter because of new loans to businesses**
- ✓ **INCREASE IN DIRECT DEPOSITS amounting to Euro 11.3 billion (+1.2%) confirming the strong relationship with customers, and INDIRECT DEPOSITS of Euro 15.7 billion (+0.8%, of which ORDINARY CUSTOMERS -0.8% caused by negative market effect)**
- ✓ **Ordinary customer loans/Direct deposits ratio of 84.3%, formerly 85.5%**

LIQUIDITY AND ASSET QUALITY

- ✓ **LIQUIDITY well under control with the liquidity coverage ratio (LCR) at 182.6% (vs 179.8% at 31.12.2019)**
- ✓ **LEVELS OF COVERAGE of non-performing and performing loans increasing**

  Doubtful loans at 62.6%, 64.1% gross of write-offs (61.5% and 63.1% at 31.12.2019)

  Non-performing loans of 47.7% (vs 45.5%), 48.8% gross of write-offs (vs 46.7%)

  Performing loans of 0.62% (vs 0.49%)
- ✓ **INCIDENCE OF NPLs:**

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

  Gross doubtful loans/Gross loans ratio of 3.3% (vs 3.1%)

  Net non-performing loans/Net loans ratio of 3.4% (vs 3.6%)

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

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1 Based on the Bank of Italy's instructions sent to Banco di Desio e della Brianza S.p.A. and to the Parent Company Brianza Unione di Luigi Gavazzi e Stefano Lado S.p.A. on 21 May 2020, the following minimum capital requirements have been assigned to the Brianza Unione Group for CRR purposes, following completion of the Supervisory Review and Evaluation Process (SREP): CET1 ratio of 7.35%, binding - pursuant to art. 67-ter TUB - for 4.85% (minimum regulatory requirement of 4.5% and additional requirements of 0.35%) with the difference represented by the capital conservation buffer, Tier1 ratio of 8.95%, binding for 6.45% (minimum regulatory requirement of 6.0% and additional requirements of 0.45%) with the difference represented by the capital conservation buffer, and Total Capital Ratio of 11.1%, binding for 8.6% (minimum regulatory requirement of 8% and additional requirements of 0.6%) with the difference represented by the capital conservation buffer.

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

3 The consolidated ratios at Brianza Unione of Luigi Gavazzi and Stefano Lado S.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. met on 30 July 2020 and approved the consolidated interim financial report at 30 June 2020, prepared in accordance with 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).

On 30 July 2020, the Board of Directors took note of the Bank of Italy's Recommendation of 28 July 2020, which urged all banks to refrain from paying dividends for 2019 and 2020 until 1 January 2021.

As regards dividends, the resolution passed by the Shareholders' Meeting on 23 April 2020 in accordance with the previous Recommendation of 27 March 2020 still stands, except for the extension of the suspension of payment until at least 1 January 2021 with respect to the original deadline of 1 October 2020.

As regards variable remuneration, on 25 June 2020 the Board of Directors approved a revision of the bonus system which led to a significant reduction in the variable component (the so-called "bonus pool") for the current year.

Information on Covid-19

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

Considering the climate of considerable uncertainty resulting from this situation, in preparing the consolidated interim financial report at 30 June 2020, which will be subject to subsequent publication, we have taken into account the recommendations contained in a series of documents published by various international institutions (ESMA, EBA, ECB-SSM, IFRS Foundation), aimed at avoiding a mechanical application of international accounting standards and, with particular reference to IFRS 9 Financial Instruments, to avoid the use of excessively pro-cyclical assumptions in the models used to estimate the credit losses expected during the pandemic.

In the current situation, strongly influenced by the effects of the Covid-19 epidemic on the main macroeconomic variables, in the consolidated interim financial report at 30 June 2020 we will provide all of the information elements on the main balance sheet items for which the application of certain accounting standards necessarily implies the use of estimates and assumptions with an effect on their book values. The report will also provide the information requested by Consob with Recommendations no. 6/2020 "Covid 19 - Calling attention to financial disclosures" and no. 8/2020 "Covid 19 - Calling attention to financial disclosures", and in particular:

- a summary of the main interventions/support measures adopted or in the process of being adopted in 2020 by the authorities and the initiatives taken by the Banco Desio Group,
- a description of the implications of the Covid-19 epidemic on the main balance sheet items,
- a representation of the effects on the expected loss measurement models.

Further qualitative and/or quantitative indications of the actual and potential impacts of Covid-19 on the Group's economic and financial prospects will be provided in subsequent reports.

Consolidated balance sheet

Total customer funds under management at 30 June 2020 reached Euro 27.0 billion, representing an increase for some Euro 0.3 billion with respect to the 2019 year-end balance (1.0%), attributable to the upward trend in both indirect (+0.8%) and direct deposits (+1.2%).

Direct deposits at the end of the first half amounted to Euro 11.3 billion, an increase of 1.2% which comes from the higher amounts due to customers of Euro 0.2 billion (+2.5%), partially offset by a reduction in debt securities in issue (-5.8%).

Overall, at 30 June 2020 *indirect deposits* posted an increase of 0.8% compared with the end of the previous year, rising to Euro 15.7 billion.
This trend is attributable to institutional customer deposits (+3.3%); deposits from ordinary customers, on the other hand, decreased by Euro 0.1 billion (-0.8%), due to the trend in assets under management (-1.3%), partially offset by assets under administration (+0.2%).

The total value of *loans to customers* at the end of the first half of the year came in at Euro 9.7 billion (+1.4% on the end of 2019), of which Euro 9.6 billion were *loans to ordinary customers* (-0.1%).

At 30 June 2020, the Group's *total financial assets* amounted to Euro 3.5 billion, an increase of some Euro 0.1 billion compared with the end of 2019 (+3.3%). Long-term investment policy (held to collect portfolio) is characterised by a significant exposure to Italian government securities. The residual life of the securities available for sale (held to collect & sell portfolio) is decidedly limited (duration 1.36).

The Group's net interbank position at 30 June 2020 is negative for Euro 0.9 billion, compared with the position at the end of the previous year, which was also negative for Euro 1 billion.

Shareholders' equity pertaining to the Parent Company at 30 June 2020, including net profit for the period, amounts to Euro 958.9 million, compared with Euro 965.1 million at the end of 2019. The negative change of Euro 6.2 million is due to the resolution associated with the 2019 dividend of Euro 14.5 million, partly offset by comprehensive income of the period positive for Euro 8.3 million.

On 25 January 2018, the Board of Directors of the bank resolved to adopt the transitional arrangements introduced by the Regulation (EU) 2017/2395 of 12 December 2017, aimed at mitigating the impact of IFRS 9 on own funds and capital ratios. The calculation of the capital ratios has also benefited from the previous surveys of the measures for easing capital requirements introduced by EU Regulation 873/2020.

With reference to the Banco Desio Banking Group, after paying out 40% envisaged by the dividend policy, *Own Funds* amounted to Euro 1,027.3 million at 30 June 2020 (CET 1 + AT1 Euro 987.7 million + T2 Euro 39.7 million), compared with Euro 1,038.1 million at the end of the previous year. The Common Equity Tier 1 ratio (CET1/Risk-weighted assets) was 13.8% (13.0% at 31 December 2019). The Tier 1 ratio (T1/Risk-weighted assets) was 13.8% (13.0% at 31 December 2019), while the Total capital ratio (total Own Funds/Risk-weighted assets) was 14.3% (13.7% at 31 December 2019).

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 917.5 million at 30 June 2020 (CET1 + AT1 of Euro 826.7 million + T2 of Euro 90.8 million), compared with Euro 908.6 million at the end of the previous year. The Common Equity Tier 1 ratio (CET1/Risk-weighted assets) was 10.7% (10.0% at 31 December 2019). The Tier 1 ratio (T1/Risk-weighted assets) was 11.5% (10.7% at 31 December 2019), while the Total capital ratio (total Own Funds/Risk-weighted assets) was 12.8% (12.0% at 31 December 2019).

Following the periodic Supervisory Review and Evaluation Process (SREP), on 21 May 2020, the Bank of Italy informed Banco di Desio e della Brianza S.p.S. and the financial parent company Brianza Unione di Luigi Gavazzi e Stefano Lado

S.A.p.A. of its decision regarding capital, ordering that, from the next report on own funds, the Brianza Unione Group was to adopt the following consolidated capital ratios:

- CET1 ratio of 7.35%, binding for 4.85% (minimum regulatory requirement of 4.5% 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% 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% 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 with respect to the new requirements[3] is confirmed.

Consolidated income statement

The net profit attributable to the Parent Company at 30 June 2020, negatively affected by the cost of credit, comes to Euro 9.6 million, a decrease of 60.2% compared with the profit for the comparative period of Euro 24.1 million.
The main cost and revenue items in the reclassified income statement are analysed below.

Operating income

Core revenues decreased by about Euro 7.6 million compared with the previous period (-3.8%), coming in at Euro 193.1 million. This is due to the decrease in net interest income for Euro 2.2 million (-2.1%), in the net commission income which decreases by Euro 1.6 million (-2.0%) in the net result of financial assets and liabilities for Euro 0.7 million (-11.7%), in dividends for Euro 0.5 million (-43.9%) and in other operating income /expense for Euro 2.6 million (-51.7%).

Operating costs

Operating costs, which include *payroll costs*, *other administrative expenses* and *net adjustments to property, plant and equipment and intangible assets* amounted to around Euro 134.9 million and have decreased, with respect to the comparative period, by Euro 2.9 million (-2.1%).

Payroll costs have decreased by 2.0% on the prior period, as well as administrative expenses which declined by Euro 0.7 million (-1.5%); The balance of net adjustments to property, plant and equipment and intangible assets came to Euro 4.7 million (-10.1%).

Results of operations

The results of operations at 30 June 2020 therefore amounted to Euro 58.2 million, Euro 4.7 million down on the prior period (-7.4%).

Net profit (loss) from continuing operations after tax

The result of operations of Euro 58.2 million leads to a net profit (loss) from operations after tax of Euro 10.1 million, 58.4% down on the Euro 24.3 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 40.0 million (Euro 26.9 million in the first half of the previous year);
- *net adjustments to securities owned* negative for Euro 1.3 million (positive for Euro 2.9 million in the comparison period);

[3] Based on the Bank of Italy's previous communication on this matter, which was sent to the Parent Company Banco Desio on 27 June 2019, concerning the minimum capital requirements at consolidated level to be respected as a result of the SREP: CET1 ratio of 7.25%, binding for 4.75% (minimum regulatory requirement of 4.5% and additional requirements of 0.25%) with the remainder represented by the capital conservation buffer, Tier 1 ratio of 8.85%, binding for 6.35% (minimum regulatory requirement of 6.0% and additional requirements of 0.35%) with the remainder represented by the capital conservation buffer and Total Capital Ratio of 11.0%, binding for 8.5% (minimum regulatory requirement of 8% and additional requirements of 0.5%) with the remainder represented by the capital conservation buffer.

- *net provisions for risks and charges* negative for Euro 3.3 million (negative for Euro 2.0 million in the comparative period);
- *income taxes on continuing operation*s of Euro 3.8 million (Euro 12.5 million).

Non-recurring profit (loss) after tax

At 30 June 2020 there was a non-recurring loss after tax of Euro 0.5 million. This item basically consists of:

- the revenue component of Euro 0.4 million relating to the substantial change in a financial instrument subscribed by the bank as part of the interventions made to support the banking system,
- the Euro 1.1 million charge for the extraordinary contribution to the SRM requested by the national resolution authority on 11 June 2020;

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

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

- the revenue component of Euro 1.5 million relating to an insurance refund received.
- the Euro 1.6 million charge for the extraordinary contribution to the SRM requested by the national resolution authority on 7 June 2019, net of the related tax effect (negative for Euro 0.1 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* leads to a net profit for the Parent Company at 30 June 2020 of Euro 9.6 million.

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The Group's distribution network at 30 June 2020 consists of 253 branches

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At 30 June 2020, the Group had 2,193 employees, a decrease of 5 people compared with the end of the previous period.

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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, 30 July 2020

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

Financial Reporting Manager
Mauro Walter Colombo

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The tables relating to the consolidated reclassified balance sheet and income statement at 30 June 2020 are attached.

The consolidated interim financial report at 30 June 2020 is subject to a limited audit by Deloitte & Touche S.p.A., which is currently being completed.

Desio, 30 July 2020

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

The Chairman
Stefano Lado

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Investor Relator
Giorgio Federico Rossin

Tel. 0362/613,469
Cell. 335/7764435
Fax 0362/613.219
g.rossin@bancodesio.it

General and
Corporate Secretariat

Tel. 0362/613,214
Fax 0362/613.219
segreteriag@bancodesio.it

Marco Rubino di Musebbi
Community Srl
Consulenza nella comunicazione
Tel. 02.89404231
Mobile 335/6509552
Fax 02.8321605
marco.rubino@communitygroup.it

Gruppo Banco Desio

Attachments

Consolidated balance sheet

Assets	30.06.2020	31.12.2019	Change amount	Change %
10. Cash and cash equivalents	50,755	60,816	(10,061)	-16.5%
20. Financial assets designated at fair value through profit or loss	42,693	44,063	(1,370)	-3.1%
a) Financial assets held for trading	4,472	5,807	(1,335)	-23.0%
c) Other financial assets that are necessarily measured at fair value	38,221	38,256	(35)	-0.1%
30. Financial assets designated at fair value through other comprehensive income	522,093	559,634	(37,541)	-6.7%
40. Financial assets measured at amortised cost	13,681,740	12,949,705	732,035	5.7%
a) Due from banks	1,375,279	915,019	460,260	50.3%
b) Loans to customers	12,306,461	12,034,686	271,775	2.3%
60. Adjustment to financial assets with generic hedge (+/-)	593	624	(31)	-5.0%
90. Property, plant and equipment	219,541	226,305	(6,764)	-3.0%
100. Intangible assets	18,085	18,194	(109)	-0.6%
of which:				
- goodwill	15,322	15,322		
110. Tax assets	202,637	202,765	(128)	-0.1%
a) current	10,954	7,812	3,142	40.2%
b) deferred	191,683	194,953	(3,270)	-1.7%
130. Other assets	122,722	129,956	(7,234)	-5.6%
Total assets	**14,860,859**	**14,192,062**	**668,797**	**4.7%**

Liabilities and shareholders' equity	30.06.2020	31.12.2019	Change amount	Change %
10. Financial liabilities measured at amortised cost	13,378,212	12,850,498	527,714	4.1%
a) Due to banks	1,995,605	1,603,208	392,397	24.5%
b) Due to customers	9,734,741	9,498,187	236,554	2.5%
c) Debt securities in issue	1,647,866	1,749,103	(101,237)	-5.8%
20. Financial liabilities held for trading	7,729	8,138	(409)	-5.0%
40. Hedging derivatives	1,914	2,157	(243)	-11.3%
60. Tax liabilities	12,855	15,816	(2,961)	-18.7%
b) deferred	12,855	15,816	(2,961)	-18.7%
80. Other liabilities	440,172	289,279	150,893	52.5%
90. Provision for termination indemnities	24,995	25,480	(485)	-1.9%
100. Provisions for risks and charges	36,086	35,582	504	1.4%
a) commitments and guarantees given	4,593	2,734	1,859	68.0%
c) other provisions for risks and charges	31,493	32,848	(1,355)	-4.1%
120. Valuation reserves	44,016	45,373	(1,357)	-3.0%
150. Reserves	818,440	792,741	25,699	3.2%
160. Share premium reserve	16,145	16,145		
170. Share capital	70,693	70,693		
190. Minority interests (+/-)	4	4		
200. Net profit (loss) for the period (+/-)	9,598	40,156	(30,558)	-76.1%
Total liabilities and shareholders' equity	**14,860,859**	**14,192,062**	**668,797**	**4.7%**

Banco Desio

Reclassified consolidated income statement

Voci	Importi in migliaia di euro	30.06.2020	30.06.2019	Variazioni Valore	Variazioni %
10+20	Net interest income	104,759	106,988	-2,229	-2.1%
70	Dividends and similar income	586	1,044	-458	-43.9%
40+50	Net commission income	79,899	81,497	-1,598	-2.0%
80+90+100+110	Net result of financial assets and liabilities	5,419	6,135	-716	-11.7%
230	Other operating income/expense	2,431	5,034	-2,603	-51.7%
	Operating income	**193,094**	**200,698**	**-7,604**	**-3.8%**
190 a	Payroll costs	-83,013	-84,700	1,687	-2.0%
190 b	Other administrative costs	-47,123	-47,829	706	-1.5%
210+220	Net adjustments to property, plant and equipment and intangible assets	-4,735	-5,268	533	-10.1%
	Operating costs	**-134,871**	**-137,797**	**2,926**	**-2.1%**
	Result of operations	**58,223**	**62,901**	**-4,678**	**-7.4%**
130a+100a	Cost of credit	-39,977	-26,921	-13,056	48.5%
130 b	Net adjustments to securities owned	-1,325	2,883	-4,208	n.s.
140	Profit/losses from contractual changes without write-offs	225	-111	336	n.s.
200 a	Net provisions for risks and charges - commitments and guarantees given	-1,878	-850	-1,028	120.9%
200 b	Net provisions for risks and charges - other	-1,390	-1,148	-242	21.1%
	Profit (loss) from continuing operations before tax	**13,878**	**36,754**	**-22,876**	**-62.2%**
300	Income taxes on continuing operations	-3,787	-12,504	8,717	-69.7%
	Profit (loss) from continuing operations after tax	**10,091**	**24,250**	**-14,159**	**-58.4%**
260	Net result of the measurement at fair value of property, plant and equipment and intangible assets	0	-260	260	-100.0%
	Provisions for risks and charges, other provisions, one-off expenses and revenue	-728	-74	-654	883.8%
	Non-recurring result before tax	**-728**	**-334**	**-394**	**118.0%**
	Income taxes from non-recurring items	235	185	50	27.0%
	Non-recurring profit (loss) after tax	**-493**	**-149**	**-344**	**230.9%**
330	**Net profit (loss) for the period**	**9,598**	**24,101**	**-14,503**	**-60.2%**
340	Net profit (loss) pertaining to minority interests	0	0	0	n.s.
350	**Parent Company net profit (loss)**	**9,598**	**24,101**	**-14,503**	**-60.2%**

Note: in consideration of the merger by absorption of the former subsidiary Banca Popolare di Spoleto by Banco Desio on 1 July 2019 with effect for accounting purposes on 1 January 2019, the item "340 Profit (loss) pertaining to minority interests" for the comparative period was restated in order to make it easier to compare the figures.