



PRESS RELEASE

**THE BOARD OF DIRECTORS
OF PARENT COMPANY BANCO DI DESIO E DELLA BRIANZA S.P.A.
HAS APPROVED**

THE CONSOLIDATED INTERIM REPORT FOR THE PERIOD ENDING 31 MARCH 2016

- ✓ **CONSOLIDATED NET PROFIT (pertaining to the Parent Company) EUR 12.7 million, costs include EUR 2.6 million as net contribution for the current year to the Single Resolution Mechanism (SRM) (previously EUR 13.8 million)**

- ✓ **ADJUSTMENTS TO LOANS EUR 20.7 million (previously EUR 36.2 million), maintaining high coverage levels on impaired and performing loans:**

Coverage ratio on non-performing loans ⁽¹⁾ gross of write-offs equal to 64.5% (previously 64.2%)

Coverage ratio on total non-performing loans ⁽¹⁾ gross of write-offs equal to 52.4% (previously 52.2%)

Coverage ratio on performing loans at 0.64% (previously 0.67%)

- ✓ **TOTAL DEPOSITS FROM ORDINARY CUSTOMERS: EUR 22.6 billion (+0.6%), of which DIRECT CUSTOMERS' DEPOSITS EUR 10.3 billion (+0.9%), with a ratio of Loans to ordinary customers to Direct deposits standing at 91.2% (previously 92,2%) and INDIRECT DEPOSITS EUR 12.3 billion (+0.3%)**

- ✓ **LOANS TO CUSTOMERS EUR 9.5 billion (+1.2%)
"Net non-performing loans/net loans" ratio: 4.79% (previously 4.73%)**

- ✓ **HIGH, STABLE LEVEL OF SHAREHOLDERS' EQUITY, WITH MAINTENANCE OF THE SREP ⁽²⁾ BUFFER AT 3.8% OVER CET1 (10.8%) ONE OF THE HIGHEST IN THE SYSTEM**

Shareholders' equity EUR 877.1 million (previously EUR 870.4 million)

*Own Funds: EUR 1,094 million ⁽³⁾ (CET1 + AT1 EUR 873.7 million + T2 EUR 220.3 million)
(previously EUR 1,106.1 million)*

⁽¹⁾ Also considering impaired loans of the subsidiary Banca Popolare di Spoleto S.p.A., stated gross of their relative write-downs;

⁽²⁾ Based on the Bank of Italy provision communicated to the Parent Company on 26 August 2015 regarding the minimum capital requirements at the consolidated level to be respected following the *Supervisory Review and Evaluation Process (SREP)* and, for the Banco Desio Group, coinciding with the minimum Regulatory Requirements: CET1 equal to 7%, binding - pursuant to art. 67-ter Consolidated Banking Law - in the amount of 5% (of which 4.5% with regard to minimum regulatory requirements and 0.5% with regard to the additional requirements), Tier 1 ratio of 8.5%, binding - pursuant to art. 67-ter Consolidated Banking Law - in the amount of 6.7% (of which 6% with regard to minimum regulatory requirements and 0.7% with regard to the additional requirements) and Total Capital ratio of 10.5%, binding - pursuant to art. 67-ter Consolidated Banking Law - in the amount of 8.9% (of which 8% with regard to the minimum regulatory requirements and 0.9% with regard to the additional requirements);

⁽³⁾ Considering a pay-out of 40%.

Capital ratios

	Gruppo Banco Desio	SREP	diff.
<i>CET 1</i>	10,8%	7,0%	+3,8%
<i>TIER 1</i>	11,0%	8,5%	+2,5%
<i>TOTAL CAPITAL RATIO</i>	13,7%	10,5%	+3,2%

The Board of Directors of Parent Company Banco di Desio e della Brianza S.p.A., which met on 10 May 2016, approved the *Consolidated interim report for the period ended on 31 March 2016*, drawn up on a voluntary basis in compliance with the minimum contents pursuant to article 154-ter of Legislative Decree 58/1998 (“Consolidated Finance Act”), reformulated with Legislative Decree no. 25 of 15 February 2016 which implements directive 2013/50/EU. This decree introduced changes with respect to disclosure obligations of listed issuers with reference to the periodic financial reports relating to the first and third quarters of the financial year, especially through annulment of the obligation to publish the Interim report and with a regulation giving Consob the power to provide for any additional disclosure obligations, subject to an impact analysis to analyse the existence of certain conditions set by the legislator.

On 14 April 2016, Consob published the preliminary consultation document relating to the impact analyses, indicating that comments and observations should be sent by the deadline of 30 May 2016.

The Parent Company Banco di Desio e della Brianza S.p.A. decided that the disclosure contained in the Consolidated interim report for the period ending on 31 March 2016 could guarantee continuity of information with the past in a situation where the regulatory framework has changed considerably recently and is potentially not yet definitive. However, this choice is not intended to limit Banco di Desio e della Brianza S.p.A. in the future and it may be changed in light of changes in the regulatory regime.

The consolidated interim report for the period ending 31 March 2016 was also prepared in order to determine the Own Funds and prudential coefficients.

Consolidated balance sheet data

Total customers’ assets under management as at 31 March 2016 amounted to about EUR 22.6 billion, with a total increase of about EUR 0.1 billion compared to the balance at the end of 2015, equal to 0.6%, mainly due to the trend in direct deposits.

The *direct deposits* at the end of the first quarter amounted to approximately EUR 10.3 billion, up by approximately EUR 0.1 billion due to the increase in the balance relating to the amounts due to customers of approximately EUR 0.3 billion (+4.0%), partially offset by the decrease in outstanding securities and the financial liabilities measured at fair value of about EUR 0.2 billion (-12.5%).

Indirect deposits recorded as at 31 March 2016 showed an increase of 0.3% of the previous year-end balance, reaching EUR 12.3 billion.

Deposits by ordinary customers came to approximately EUR 8.2 billion, down by around EUR 0.1 billion or 1.6%, due to the performance of the administered assets segment (-4.3%), partly offset by the growth of the asset management sector (+0.6%). With reference to the deposits by institutional customers, there was a 4.2% increase in the period, equal to EUR 0.2 billion.

The total amount of the *loans to customers* at the end of the first quarter of the year rose to EUR 9.5 billion, an increase of 1.2% over the balance at the end of the previous year. About EUR 0.1 billion of the increase is attributable to loans to institutional customers, represented by repo transactions, while the loans to ordinary customers amounted to EUR 9.4 billion, in line with the balance at the end of 2015 (-0.2%).

The Group's total *financial assets* as at 31 March 2016 amounted to EUR 2 billion, up about EUR 0.1 billion on the total recorded at the end of 2015 (+4.8%), while the net interbank position is in debt for approximately EUR 0.5 billion, substantially in line with the balance at the end of the previous year.

The *net shareholders' equity pertaining to the Parent Company* for the first quarter of 2016, including the profit for the period, stood at a total of EUR 877.1 million, compared to a total of EUR 870.4 million on the 2015 balance sheet.

In application of the supervisory regulations, the amount of Own Funds, considering a pay-out of 40%, amounted to EUR 1,094 million (CET1 + AT1 EUR 873.7 million + T2 EUR 220.3 million), compared to the year-end figure of EUR 1,106.1 million of the prior year, essentially due to the reduction of the amount that can be calculated in its own subordinated loan funds due to the repayment, and the increase in the credit limit that can be used to buy back its own subordinated loans.

As at 31 March 2016, the *Common Equity Tier1 ratio*, consisting of class 1 primary capital (CET1) applied to risk-weighted assets, stood at 10.8% (10.8% as at 31 December 2015). The *Tier1 ratio*, consisting of the total class 1 capital (T1) applied to the risk-weighted assets, stood at 11% (11% as at 31 December 2015), whereas the *Total capital ratio*, comprising total Own Funds applied to the risk-weighted assets, stood at 13.7% (13.9% as at 31 December 2015).

Upon completion of the *Supervisory Review and Evaluation Process (SREP)*, in August 2015 the Bank of Italy notified the Parent Company of the minimum capital requirements to be respected at the consolidated level and which correspond, for the Banco Desio Group, to the minimums envisaged by the supervisory regulations which, including the capital reserve of 2.5%, comprise the following capital ratios: *7% of the Common Equity Tier1 ratio, 8.5% of the Tier1 ratio and 10.5% of the Total Capital ratio.*

Consequently, the Group's capital ratios as at 31 March 2016 are significantly higher than the minimum requirements indicated, confirming its sound balance sheet structure.

Consolidated income statement data

The first quarter of 2016 ended with a *net profit pertaining to the Parent Company* of about EUR 12.7 million compared to about EUR 13.8 million for the first quarter of the previous year and includes costs of EUR 2.6 million as the net contribution for the current year to the *Single Resolution Mechanism (SRM)*.

The breakdown and performance of the main reclassified Income Statement items are summarised as follows:

Operating income

The revenue items relating to operations showed an overall 14.1% decrease of EUR 17.2 million compared with the first quarter of the previous year, standing at EUR 104.8 million. The trend is mainly attributable to the *net profit from trading, hedging and transferring/buying back receivables, financial assets and liabilities and financial assets and liabilities measured at fair value* down EUR 6.1 million compared to the same period of the previous year.

In view of the difficult economic-financial context, trends in net interest income and net commissions display reductions of 12.9% and 7.9% respectively.

Operating charges

Total operating charges, which include *personnel expenses*, *other administrative expenses*, and *net adjustments to property, plant and equipment and intangible assets*, amounted to EUR 72 million, showing an increase of EUR 6.3 million compared to the same period of the prior year (+9.6%).

Personnel expenses were down by EUR 0.5 million (-1.1%) while *other administrative expenses* were up by EUR 6.8 million. The other administrative expenses included about EUR 3.8 million for the “ex-ante” ordinary gross contribution to the Single Resolution Mechanism for 2016, and also included higher costs for computer service fees of about EUR 1.5 million compared to the same period of the previous year.

The balance of the net write-downs to property, plant and equipment and intangible assets stood at about EUR 3.1 million (+1.3%).

Operating margin

Consequently, at the end of the first quarter, the *operating margin* amounted to EUR 32.8 million, with an decrease of EUR 23.5 million compared to the same period of the prior year.

Operating profit (loss) after tax

The *operating profit after tax* of EUR 8 million comes from the operating profit/loss of EUR 32.8 million (compared to EUR 13.4 million in the same period of the previous year) due to:

- the weight of *net adjustments for impairment of loans* of EUR 20.7 million, down however, compared to EUR 15.5 million in the same period of the prior year;
- the *profit on disposal or repurchase of loans* of EUR 1.1 million;
- *Net adjustments for impairment of financial assets available for sale* of EUR 0.1 million and those for *impairment of other financial transactions* of EUR 0.1 million;
- *net allocations to provisions for risks and charges* of EUR 1.3 million;
- income taxes for the period equal to EUR 3.7 million;

Profit from non-recurring operations after tax

At the end of the first quarter of the year, there was *profit from non-recurring operations after tax* of EUR 5.1 million. The balance was determined by the net capital gains of EUR 4.1 million following the cancellation by the Parent Company of the value of its equity investment in CPC in liquidation with resulting recognition of a credit for the liquidators equal to the remaining assets of said company, in addition to the reversal of the charges for future expenses set aside in the previous year amounting to EUR 1.1 million. The balance also includes the net impact of EUR 0.1 million of the IAS discounting on the employees solidarity and redundancy Fund.

Parent Company profit for the period

The sum of operating profit and profit from non-recurring operations, both after tax, taking into account the minority interest, results in a *Parent Company profit for the period* of EUR 12.7 million as at 31 March 2016, compared to EUR 13.8 million the previous year.

As at 31 March 2016, the *Group's distribution network* was the same as at the end of the previous year, and comprised 275 branches, of which 149 Banco di Desio e della Brianza S.p.A. branches and 126 subsidiary Banca Popolare di Spoleto S.p.A. branches.

As at 31 March 2016, the Group's employees amounted to 2,367, down 4 resources or 0.2% compared to the end of the previous year.

The schedules relating to the reclassified consolidated Balance Sheet and Income Statement as at 31 March 2016 are hereby attached.

The consolidated interim report as at 31 March 2016 is subject to a limited audit with respect to the quarterly accounting statements used to determine the profit for the period in order to determine the Own Funds by Deloitte & Touche S.p.A. whose audit is being completed.

In relation to the resignation of Mr Luciano Colombini from all positions held in the Group (General Manager of the Parent Company and Deputy Chairman and Chairman of the BPS Executive Committee) we give notice - also in light of the provisions of the Code of Conduct of Listed Companies - that this involved reaching a negotiated agreement to terminate his employment as manager taking effect from 31 May.

The agreement provides for both paying him everything accrued as fixed and variable earnings to June (with the variable amount subject to claw back), and the amount due to him for failure to give notice, determined in accordance with the national labour collective agreement for a total amount of EUR 563,164:

- attribution of an additional amount of EUR 576,836, 40%, equal to EUR 230,734, of which will be paid by June 2016, 30%, equal to EUR 173,051, of which will be paid with approval of the 2017 financial statements, twelve months from the date of payment of the first tranche, and for the remaining 30%, equal to EUR 173,051, with approval of the 2017 financial statements, twenty-four months from the date of payment of the first tranche. The actual payment of the amounts provided for 2017 and 2018, according to Group remuneration policies, is subject to confirming the liquidity and asset cancellation conditions and maintenance of a pre-determined profitability level, corrected for risks. These amounts will also be corrected in accordance with the performance of ordinary Banco Desio shares. The additional amount will be subject to claw back mechanisms;
- payment by June of the amount of EUR 10,000 in exchange for waiver of the right to demands, rights and/or shares;
- confirmation of the right of Mr Colombini to the variable remuneration for the years 2014 and 2015 still subject to deferral in compliance with the conditions set out under the Group Remuneration Policies illustrated in the Annual Report. With respect to the portion for 2016, nothing will be paid in terms of variable remuneration.

No non-competition agreements were entered into.

In accordance with the law and internal procedures in effect regarding transactions with related parties, it was not necessary to submit the terms of the agreement reached - approved by the Board of Directors of Banco Desio subject to the approval of the Remuneration Committee since it is in line with the Group remuneration policies- to the Committee for Operations with related Parties, .

In order to provide the complete picture, no amounts were paid to Mr Luciano Colombini in relation to the resignation from all the positions held in the subsidiary BPS (Deputy Chairman and Chairman of the Executive Committee). The amounts relating to the performance of the positions held in subsidiaries by Group employees (which in the case of Mr Colombini amounted to EUR 37,264.48 for the portion for 2016 with reference to BPS) will be repaid to the company in accordance with the Group remuneration policies.

Mr Colombini did not hold, as at the date of resignation, any shares in either Banco Desio or in BPS.

The decisions relating to the resignation of Mr Colombini and the appointment of Mr Camagni (new General Manager) were taken by the Board of Directors on proposal of the Executive Committee and subject to the opinion of the Appointment Committee and the Remuneration Committee. These decisions were not made as part of a succession plan, and pending the assignment of the powers relating to the job of General Manager to vest in Mr Camagni, the powers were temporarily attributed to the CEO (who could not exercise his functions as "director in charge of the internal control system and risk management" while acting as General Manager).

Desio, 10 May 2016

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

The Manager in charge of drawing up the company accounting documents, Mauro Walter Colombo, hereby declares that, pursuant to art. 154-*bis*, paragraph 2 of the Consolidated Law on Finance, the accounting information contained in this press release corresponds to the company's documents, books and accounting records.

Mauro Walter Colombo

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