PRESS RELEASE

CONSOLIDATED RESULTS AT 30 JUNE 2019
NET PROFIT AT 23.5 MILLION EURO (FORMERLY 13.6 MILLION EURO)

The Board of Directors of Banco di Desio e della Brianza S.p.A. has approved the "Consolidated Interim Financial Report at 30 June 2019"

PROFITABILITY

- ✓ **CONSOLIDATED NET PROFIT (pertaining to the Parent Company) Euro 23.5 million (Euro 13.6 million at 30 June 2018), UP BY 72.6% also thanks to the positive effect on cost of credit of the relevant decrease in NPLs achieved in the previous year and continued during the period**

SUPPORT FOR THE ECONOMY

- ✓ **INCREASE IN THE TOTAL CUSTOMER DEPOSITS to Euro 25.8 billion (+4.3% on 31.12.2018), of which DIRECT DEPOSITS of Euro 10.9 billion (+2.6% on 31.12.2018), with a *Ordinary customer loans/Direct deposits ratio* at 87.2%, vs 90.0%) and INDIRECT DEPOSITS of Euro 14.9 billion (+5.5%, of which ORDINARY CUSTOMERS +5.8% and INSTITUTIONAL CUSTOMERS +5.1%)**
- ✓ **LOANS TO CUSTOMERS at the end of the half-year stood at around Euro 9.7 billion (+0.5% on the figure at the end of 2018) of which Euro 9.6 billion related to LOANS TO ORDINARY CUSTOMERS (-0.6%)**
- ✓ **NEW LOANS TO HOUSEHOLDS AND BUSINESSES of Euro 1.0 billion (Euro 1.0 billion in first half of 2018), confirming the contribution of the Banco Desio Group in terms of access to credit for the private sector and the offer of loans to the real economy**

ASSET QUALITY

- ✓ **INCIDENCE OF NPLs:**

  ***Net non-performing loans/Net loans ratio* at 3.9% (vs 4.2% at 31.12.2018)**

  ***Gross non-performing loans/Gross loans ratio* of 6.7% (vs 7.0%)**

  ***Net doubtful loans/Net loans ratio* at 1.3% (vs 1.3%)**

  ***Gross doubtful loans/Gross loans ratio* at 3.1% (vs 3.0%)**
- ✓ **LEVELS OF COVERAGE of non-performing and performing loans**

  ***Coverage ratio*[1] of non-performing loans at 43.4% (vs 42.2%), 45.2% gross of write-offs (vs 45.6% at 31 December 2018)**

  ***Coverage ratio*[1] of doubtful loans at 59.4% (vs 59.3%) and gross of write-offs at 62.1% (vs 64.5%)**

  ***Coverage ratio* of performing loans 0.50% (vs 0.54%)**

CAPITAL SOLIDITY [2]

Capital ratios at 30 June 2019 [3]	Banco di Desio e della Brianza	Banca Popolare di Spoleto	Banco Desio Group	Brianza Unione Group
CET 1	18.80%	10.61%	12.39%	9.72%
TIER 1	18.82%	10.61%	12.49%	10.51%
Total Capital	20.27%	11.35%	13.55%	12.06%

The consolidated ratios at the level of Brianza Unione di Luigi Gavazzi e Stefano Lado S.A.p.A., the parent company that controls 52.084% of Banco di Desio e della Brianza S.p.A., have been calculated on the basis of articles 11, paragraphs 2 and 3 and 13, paragraph 2, of the CRR Regulation.

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[1] Also considering non-performing loans of the subsidiary Banca Popolare di Spoleto S.p.A., shown gross of write-downs.

[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 27 June 2019, which contained the minimum capital requirements to be met at consolidated level following completion of the Supervisory Review and Evaluation Process (SREP): *CET1 ratio* of 7.25%, binding - pursuant to art. 67-ter TUB - for 4.75% (minimum regulatory requirement of 4.5% and additional requirements of 0.25%) with the difference represented by the capital conservation buffer, *Tier1 ratio* of 8.85%, binding for 6.35% (minimum regulatory requirement of 6.0% and additional requirements of 0.35%) with the difference 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 difference represented by the capital conservation buffer.

[3] In application of the transitional provisions introduced by Regulation (EU) 2017/2395 of 12 December 2017.

Banco Desio

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The Board of Directors of Banco di Desio e della Brianza S.p.A., met on 6 August 2019 and approved the *Consolidated interim financial report at 30 June 2019*, prepared pursuant to art. 154-*ter* of D.Lgs. 58/1998 ("Consolidated Finance Act"), 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).

Consolidated balance sheet

Total customer *funds under management* at 30 June 2019 reached Euro 25.8 billion, representing an increase for some Euro 1.1 billion with respect to the 2018 year end balance (+4.3%), attributable to the upward trend in both indirect (+5.5%) and direct deposits (+2.6%).

Direct deposits at the end of the first half amounted to Euro 10.9 billion, an increase of 2.6% which comes from the higher amounts due to customers of Euro 0.3 billion (+3.1%), partially offset by a reduction in debt securities in issue (-0.6%).

Overall, at 30 June 2019 *indirect deposits* posted an increase of 5.5% compared with the end of the previous year, rising to Euro 14.9 billion.
This was attributable, in particular, to deposits from ordinary customers, up by about Euro 0.5 billion (+5.8%), due to the performance of assets under management (+6.1%) and of assets under administration (+5.1%).

The total value of *loans to customers* at the end of the first half of the year came in at Euro 9.7 billion (+0.5% on the end of 2018), of which Euro 9.6 billion of *loans to ordinary customers* (-0.6%).

At 30 June 2019, the Group's *total financial assets* amounted to Euro 3.3 billion, an increase of some Euro 0.2 billion compared with the end of 2018 (+5.5%). Long-term investment policy (held to collect portfolio) is characterised by a significant exposure to Italian government securities, while the residual life of securities of the held to collect and sell portfolio has been significantly curtailed.

The Group's *net interbank position* at 30 June 2019 is negative for Euro 1.2 billion, compared with the position at the end of the previous year, which was also negative for Euro 1.3 billion.

Shareholders' equity pertaining to the Parent Company at 30 June 2019, including net profit for the period, amounts to Euro 903.4 million, compared with Euro 892.1 million at the end of 2018. The positive change of Euro 11.3 million is due to the comprehensive income of the period amounting to Euro 22.5 million, partly offset by the payment of 2018 dividend of Euro 11.2 million.

On 25 January 2018, the Board of Directors of the bank resolved to join the transitional regime 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.

With reference to the Banco Desio Banking Group, after the application to the profit for the period of the 40% pay-out quota required by the dividend policy, *Own Funds* amounted to 1,036.9 million euro at 30 June 2019 (CET 1 + AT1 956.0 million euro + T2 80.9 million euro), compared with 1,056.9 million euro at the end of the previous year. The Common Equity Tier 1 ratio (CET1/Risk-weighted assets) was 12.4% (12.1% at 31 December 2018). The Tier 1 ratio (T1/Risk-weighted assets) was 12.5% (12.3% at 31 December 2018), while the Total capital ratio (total Own Funds/Risk-weighted assets) was 13.6% (13.6% at 31 December 2018).

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 922.2 million at 30 June 2019 (CET1 + AT1 of Euro 804.2 million, T2 of Euro 118.0 million), compared with Euro 934.0 million at the end of the previous year. The Common Equity Tier 1 ratio (CET1/Risk-weighted assets) was 9.7% (9.4% at 31 December 2018). The Tier 1 ratio (T1/Risk-weighted assets) was 10.5% (10.3% at 31 December 2018), while the Total capital ratio (total Own Funds/Risk-weighted assets) was 12.1% (12.0% at 31 December 2018).

Following the periodic Supervisory Review and Evaluation Process (SREP), on 27 June 2019, the Bank of Italy notified Banco di Desio e della Brianza S.p.A. and the financial parent company Brianza Unione di Luigi Gavazzi e Stefano Lado S.A.p.A. its decision regarding capital, ordering that, from the notification about own funds at 30 June 2019, the "CRR"

Brianza Unione Group was to adopt the capital ratios that presuppose compliance with the minimum limits indicated below, taking into account the capital conservation buffer of 2.5% applicable to Italian banking groups in 2019:

- 7.25% for the *Common Equity Tier 1 ratio*, binding - pursuant to art. 67-ter of the CBA - to the extent of 4.75% (of which 4.5% for the minimum regulatory requirements and 0.25% for additional requirements) and for the remainder from the capital conservation buffer;
- 8.85% for the *Tier1 ratio*, binding - pursuant to art. 67-ter of the CBA - to the extent of 6.35% (of which 6.0% for the minimum regulatory requirements and 0.35% for additional requirements) and for the remainder from the capital conservation buffer;
- 11.00% for the *Total Capital ratio*, binding - pursuant to art. 67-ter of the CBA - to the extent of 8.5% (of which 8.0% for the minimum regulatory requirements and 0.50% for additional requirements) and for the remainder from the capital conservation buffer.

Comparing the new requirements and those previously assigned to the Group with those announced by various competitors, the Group's financial solidity is confirmed.

It should also be noted that with regard to resolution planning for Less Significant Institutions (LSI), the Banco Desio Group has received from the Bank of Italy, as the Resolution Authority, a communication that does not require compliance with an MREL (Minimum Requirement for own funds and Eligible Liabilities to be subject to bail-in).

Consolidated income statement

The net profit attributable to the Parent Company at 30 June 2019 comes to Euro 23.5 million, an increase of 72.6% compared with the profit for the comparative period of Euro 13.6 million.

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

Operating income

Core revenues decreased by about Euro 4.1 million compared with the previous period (-2.0%), coming in at Euro 200.7 million. This is mainly due to the decrease in *net commission income* for Euro 0.9 million (-1.2%), of the *net result of financial assets and liabilities* for Euro 2.1 million, of dividends for Euro 2.1 million and of *other operating income /expense* for Euro 1.6 million (-24.6%) partly offset by the recovery in *net interest income* which has increased by 2.7 million euro (+2.6%).

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 137.8 million and have decreased with respect to the comparative period by Euro 1.2 million (-0.9%).

In particular, other administrative expenses have increased by Euro 1.4 million (+3.1%). The balance of other administrative expense includes Euro 4.4 million of the *ex-ante* gross ordinary contributions to the resolution fund ("Contribution SRM - Single Resolution Mechanism") versus Euro 3.9 million in the comparative period. This balance also includes Euro 5.9 million of costs for operating leases falling within the scope of IFRS 16 - Leases, which came into force on 1 January 2019; these costs have been booked to item "20 Interest and similar expense" for Euro 0.6 million and to item "210 Net adjustments to property, plant and equipment" for Euro 5.3 million; in the comparative period, the charges incurred on these contracts were recorded in item "190 b) Other administrative costs". Application of the new accounting standard involved recognising higher charges for Euro 0.3 million (before tax) during the period.

Payroll costs have decreased by 2.6% on the prior period, whereas the balance of net adjustments to property, plant and equipment and intangible assets came to Euro 5.3 million (-7.7%).

Results of operations

The results of operations at 30 June 2019 therefore amounted to Euro 62.9 million, Euro 2.9 million down on the prior period (-4.4%).

Net profit (loss) from continuing operations after tax

The result of operations of Euro 62.9 million leads to a *net profit (loss) from operations after tax* of Euro 24.3 million, 81.2% up on Euro 13.4 million in the comparative period, mainly because of:

- lower *cost of credit* (net impairment adjustments to financial assets measured at amortised cost plus gains (losses) on disposal or repurchase of loans) of Euro 26.9 million (Euro 46.5 million in the comparison period), affected by the adjustments made to reflect the economic effects of the GACS project (guarantee for securitisation of NPLs);
- positive net adjustments to proprietary securities of Euro 2.9 million (negative for Euro 1.3 million in the comparative period);
- *net provisions for risks and charges* of Euro 2.0 million (formerly Euro 0.3 million);
- income taxes on continuing operations of Euro 12.5 million (formerly Euro 4.3 million).

Non-recurring profit (loss) after tax

At 30 June 2019 there was a negative *non-recurring profit (loss) after tax* of Euro 0.2 million. This item basically consists of:

- the revenue component of Euro 1.5 million relating to an insurance refund received;
- the Euro 1.6 million charge for the extraordinary contribution to the SRM requested by the national resolution authority on 7 June 2019;
- the net result of the measurement at fair value of artworks negative for Euro 0.2 million

net of the related positive tax effects of Euro 0.1 million.

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

- the revenue component of Euro 1.8 million relating to the adjustment of the liabilities recorded to cover the redundancy plan at the end of 2016, reclassified from *personnel costs*,
- the Euro 1.5 million charge for the extraordinary contribution to the SRM requested by the national resolution authority on 25 May 2018,

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*, as well as the *result attributable to minority interests*, leads to a *Profit for the period pertaining to the Parent Company* at 30 June 2019 of Euro 23.5 million.

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The Group's distribution network al 30 June 2019 consists of 264 branches, including 146 in the Parent Company Banco di Desio e della Brianza S.p.A. and 118 of Banca Popolare di Spoleto S.p.A.

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At 30 June 2019, the Group had 2,211 employees, an increase of 2 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, 6 August 2019

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 2019 are attached.

The consolidated interim financial report at 30 June 2019 are subject to a limited audit by Deloitte & Touche S.p.A., which is currently being completed.

Desio, 6 August 2019

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

The Chairman
Stefano Lado

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Consolidated balance sheet

Amounts in thousands of Euro

Assets	30.06.2019	31.12.2018	Change amount	%
10. Cash and cash equivalents	46.754	69.219	(22.465)	-32,5%
20. Financial assets designated at fair value through profit or loss	35.699	60.188	(24.489)	-40,7%
a) Financial assets held for trading	9.445	8.186	1.259	15,4%
c) Other financial assets that are necessarily measured at fair value	26.254	52.002	(25.748)	-49,5%
30. Financial assets designated at fair value through other comprehensive income	547.293	296.421	250.872	84,6%
40. Financial assets measured at amortised cost	12.781.706	12.626.834	154.872	1,2%
a) Due from banks	711.007	555.965	155.042	27,9%
b) Loans to customers	12.070.699	12.070.869	(170)	0,0%
50. Hedging derivatives		1	(1)	-100,0%
60. Adjustment to financial assets with generic hedge (+/-)	1.062	684	378	55,3%
90. Property, plant and equipment	232.635	179.418	53.217	29,7%
100. Intangible assets	17.823	17.701	122	0,7%
of which:				
- goodwill	15.322	15.322		
110. Tax assets	209.131	226.537	(17.406)	-7,7%
a) current	22.022	29.227	(7.205)	-24,7%
b) deferred	187.109	197.310	(10.201)	-5,2%
130. Other assets	179.356	131.033	48.323	36,9%
Total assets	**14.051.459**	**13.608.036**	**443.423**	**3,26%**

Amounts in thousands of Euro

Liabilities and shareholders' equity	30.06.2019	31.12.2018	Change amount	%
10. Financial liabilities measured at amortised cost	12.650.546	12.301.628	348.918	2,8%
a) Due to banks	1.631.625	1.620.824	10.801	0,7%
b) Due to customers	9.601.737	9.254.591	347.146	3,8%
c) Debt securities in issue	1.417.184	1.426.213	(9.029)	-0,6%
20. Financial liabilities held for trading	7.931	6.046	1.885	31,2%
40. Hedging derivatives	6.544	5.175	1.369	26,5%
60. Tax liabilities	17.442	23.313	(5.871)	-25,2%
a) current	1.175	1	1.174	n.s.
b) deferred	16.267	23.312	(7.045)	-30,2%
80. Other liabilities	366.276	273.634	92.642	33,9%
90. Provision for termination indemnities	25.751	25.175	576	2,3%
100. Provisions for risks and charges	29.421	36.745	(7.324)	-19,9%
a) commitments and guarantees given	3.230	2.377	853	35,9%
c) other provisions for risks and charges	26.191	34.368	(8.177)	-23,8%
120. Valuation reserves	42.981	43.920	(939)	-2,1%
150. Reserves	753.139	729.024	24.115	3,3%
160. Share premium reserve	16.145	16.145		
170. Share capital	67.705	67.705		
190. Minority interests (+/-)	44.102	44.266	(164)	-0,4%
200. Net profit (loss) for the period (+/-)	23.476	35.260	(11.784)	-33,4%
Total liabilities and shareholders' equity	**14.051.459**	**13.608.036**	**443.423**	**3,26%**

Note: the caption "90. Property, plant and equipment" at 30 June 2019 includes the recognition of the right of use asset ("RoU Asset") for Euro 55,981 thousand against operating lease contracts falling within the scope of IFRS 16, which came into force on 1 January 2019; similarly, caption "10.b) Due to customers" at 30 June 2019 includes Euro 56,280 thousand of lease liabilities recognized on the same contracts in application of IFRS 16.

Reclassified consolidated income statement

Amounts in thousands of Euro

	Captions	30.06.2019	30.06.2018	Change Amount	Change %
10+20	Net interest income	108.075	105.367	2.708	2,6%
70	Dividends and similar income	1.044	3.192	-2.148	-67,3%
40+50	Net commission income	80.410	81.346	-936	-1,2%
80+90+100 +110	Net result of financial assets and liabilities	6.135	8.251	-2.116	-25,6%
230	Other operating income/expense	5.034	6.674	-1.640	-24,6%
	Operating income	**200.698**	**204.830**	**-4.132**	**-2,0%**
190 a	Payroll costs	-84.700	-86.943	2.243	-2,6%
190 b	Other administrative costs	-47.829	-46.393	-1.436	3,1%
210+220	Net adjustments to property, plant and equipment and intangible assets	-5.268	-5.710	442	-7,7%
	Operating costs	**-137.797**	**-139.046**	**1.249**	**-0,9%**
	Result of operations	**62.901**	**65.784**	**-2.883**	**-4,4%**
130a+100a	Cost of credit	-26.921	-46.491	19.570	-42,1%
130 b	Net adjustments to securities owned	2.883	-1.315	4.198	n.s.
140	Profit/losses from contractual changes without write-offs	-111		-111	n.s.
200 a	Net provisions for risks and charges - commitments and guarantees given	-850	90	-940	n.s.
200 b	Net provisions for risks and charges - other	-1.148	-354	-794	224,3%
	Profit (loss) from continuing operations before tax	**36.754**	**17.714**	**19.040**	**107,5%**
300	Income taxes on continuing operations	-12.504	-4.330	-8.174	188,8%
	Profit (loss) from continuing operations after tax	**24.250**	**13.384**	**10.866**	**81,2%**
260	Net result of the measurement at fair value of property, plant and equipment and intangible assets	-260		-260	n.s.
	Provisions for risks and charges, other provisions, one-off expenses and revenue	-74	253	-327	n.s.
	Non-recurring result before tax	**-334**	**253**	**-587**	**n.s.**
	Income taxes from non-recurring items	185	-89	274	n.s.
	Non-recurring result after tax	**-149**	**164**	**-313**	**n.s.**
330	**Net profit (loss) for the period**	**24.101**	**13.548**	**10.553**	**77,9%**
340	Minority interests	-625	54	-679	n.s.
350	**Profit (loss) for the period pertaining to the Parent Company**	**23.476**	**13.602**	**9.874**	**72,6%**