PRESS RELEASE

CONSOLIDATED RESULTS AT 31 DECEMBER 2018

The Board of Directors of Banco di Desio e della Brianza S.p.A. has approved the draft separate and consolidated financial statements at 31 December 2018

- ✓ **CONSOLIDATED NET PROFIT (pertaining to the Parent Company) Euro 35.3 million (Euro 43.7 million at 31 December 2017), significantly influenced by the charge deriving from the securitisation of doubtful loans through the GACS scheme for a nominal value of about Euro 1.0 billion**

- ✓ **SIGNIFICANT REDUCTION in the percentage of NPLs**
  "Gross non-performing loans/Gross loans ratio" at 7.0% (from 15.1% at 31.12.2017)
  "Net non-performing loans/Net loans ratio" at 4.2% (from 8.4%)
  "Gross doubtful loans/Gross loans ratio" at 3.0% (from 10.8%)
  "Net doubtful loans/Net loans ratio" at 1.3% (from 5.0%)

- ✓ **NET LOANS TO ORDINARY CUSTOMERS:**

  Performing loans of Euro 9.2 billion, up 2% compared with the end of the previous year, as a result of the Group's assiduous support given to families and businesses with new disbursements during the year for a total of Euro 1.8 billion.

  Non-performing loans of Euro 0.4 billion, in a significant decrease (-51.3%) compared with the end of the previous year, due to the sales of NPLs.

  Total loans of Euro 9.6 billion, down 2.5% compared with the end of the previous year.

- ✓ **CAPITAL ADEQUACY REQUIREMENTS[1]**

Capital ratios	At 31 December 2018 [2] [3]			
	Banco di Desio e della Brianza	Banca Popolare di Spoleto	Banco Desio Group	Brianza Unione Group
CET 1 Ratio	**17.98%**	**10.83%**	**12.15%**	**9.41%**
TIER 1 Ratio	**18.01%**	**10.83%**	**12.27%**	**10.28%**
Total Capital Ratio	**19.83%**	**11.57%**	**13.58%**	**12.00%**

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] Based on the Bank of Italy's instructions sent to the Parent Company Banco Desio, on 4 April 2017, 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 6.625%, binding - pursuant to art. 67-ter TUB - for 4.8% (minimum regulatory requirement of 4.5% and additional requirements of 0.3%) with the difference represented by the capital conservation buffer, Tier 1 ratio of 8.225%, binding - pursuant to art. 67-ter TUB - for 6.4% (minimum regulatory requirement of 6.0% and additional requirements of 0.4%) with the difference represented by the capital conservation buffer, and Total Capital Ratio of 10.375%, binding - pursuant to art. 67-ter TUB - for 8.5% (minimum regulatory requirement of 8% and additional requirements of 0.5%) with the difference represented by the capital conservation buffer.

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

[3] In the interests of full disclosure, it should be noted that at 31 December 2018 the capital ratios benefited from reclassification of the business models recorded on 1 October 2018 following approval by the Boards of Directors of the Parent Company and of the subsidiary Banca Popolare di Spoleto on 26 September 2018 of the amendments to the internal regulations of the Banco Desio Group of the highest level (e.g. the methodological framework of IFRS 9, Group risk management policies, operating policy limits, etc.), which were needed to implement the new models for managing investment activities. The impact of this reclassification on the capital ratios at 31 December 2018 was positive for 30 basis points at Banco Desio Banking Group level and for 16 basis points at Brianza Union Group level.

- ✓ **LEVELS OF COVERAGE of non-performing loans after sales of NPLs with a face value of around Euro 1.1 billion**
  Coverage ratio of doubtful loans at 59.3%, 64.5% gross of write-offs (57.2% and 61.1% at 31.12.2017)
  Coverage ratio of non-performing loans at 42.2%, 45.6% gross of write-offs (49.0% and 52.4%)

  LEVELS OF COVERAGE of performing loans[4] 0.54% (formerly 0.45%)

- ✓ **TOTAL CUSTOMER DEPOSITS: Euro 24.8 billion (-1.4%), of which DIRECT DEPOSITS Euro 10.7 billion (-2.7%), with a ratio of Ordinary customer loans to Direct deposits of 90.0% (previously 89.8%) and INDIRECT DEPOSITS of Euro 14.1 billion (-0.4% compared with the end of the previous year)**

- ✓ **NET RESULT OF THE PARENT COMPANY of Euro 31.0 million (formerly Euro 38.0 million)**

- ✓ **PROPOSED DIVIDEND**

  Euro 0.0839 to each ordinary share

  Euro 0.1007 to each savings share

  PAY OUT 36.01% (formerly 35.00%)

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[4]The increase in the levels of coverage compared with 31 December 2017 reflects the impact of First-Time Adoption of IFRS 9.

KEY FIGURES OF THE DRAFT SEPARATE FINANCIAL STATEMENTS AT 31 DECEMBER 2018 OF THE PARENT COMPANY BANCO DI DESIO E DELLA BRIANZA S.P.A.

- ✓ *"Net profit for the year" of Euro 31.0 million, down by Euro 7.0 million (-18.5%) mainly due to the negative effect of completing the sale of doubtful loans through GACS.*

- ✓ *"Profit (loss) from operations before tax" decreased (-35.1%) to Euro 36.9 million (previously Euro 57.0 million), influenced by the above mentioned negative effect on the cost of credit linked to the completion of the GACS. There has been a decrease (-8.2%) in "Operating income" due to the lower positive contribution of the "Net results on financial assets and liabilities" (-58.4%) and "Net interest income" (-7.4%), and the containment of "Operating costs" (-1.1%).*

- ✓ *Capital ratios well above the established minimum requirements*

Capital ratios	*Banco Desio Brianza [A]*	*Individual minimum capital requirements at 31.12.2018 [B]*
CET 1	*17.98% (formerly 17.12%)*	*6.375%*
TIER 1	*18.01% (formerly 17.18%)*	*7.875%*
Total Capital Ratio	*19.83% (formerly 19.95%)*	*9.875%*

Shareholders' equity of Euro 914.5 million (formerly Euro 912.4 million)
Own funds of Euro 1,005.9 million (CET1 + AT1 Euro 913.9 million + T2 Euro 92.0 million) (formerly Euro 1,037.0 million)

- ✓ *Net loans to ordinary customers of Euro 6.2 billion (-1.4%), down because of the decrease in non-performing loans of Euro 0.2 billion (-47.7%), whereas performing loans are up by Euro 0.1 billion (+1.8%)*
  Gross non-performing loans/Gross loans ratio of 6.03% (formerly 12.26%)
  Net non-performing loans/Net loans ratio of 3.46% (formerly 6.53%)
  Gross doubtful loans/Gross loans ratio of 2.68% (formerly 8.71%)
  Net doubtful loans/Net loans ratio of 1.05% (formerly 3.93%)
  Coverage ratio of doubtful loans at 62.1% (formerly 57.7%) and gross of write-offs at 69.8% (formerly 64.8%)
  Coverage ratio of total non-performing loans at 44.3% (50.2%) and gross of write-offs at 50.0% (formerly 56.4%)
  Coverage ratio of performing loans, 0.45% (formerly 0.40%)

- ✓ *Total customer deposits Euro 19.4 billion (-2.2%)*
  of which Direct deposits Euro 7.3 billion (-3.8%)
  Indirect deposits Euro 12.1 billion (-1.2%)

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The Board of Directors of the Parent Company Banco di Desio e della Brianza S.p.A. met on 7 February 2019 and approved the draft separate and consolidated financial statements at 31 December 2018.

The Board resolved to convene the Ordinary Shareholders' Meeting for 28 March 2019 in Desio, at 10.00 a.m. at 1st calling and, if necessary, for 29 March 2019, in the same place and time, at 2nd calling.

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Consolidated balance sheet

Total customer *funds under management* at 31 December 2018 reached Euro 24.8 billion, a decrease of around Euro 0.4 billion with respect to the previous year-end balance (-1.4%), mainly attributable to the decline in direct deposits (-2.7%) and indirect deposits (-0.4%).

Direct deposits came to Euro 10.7 billion, down 2.7% on the previous year's figure, because of the decrease in *debt securities in issue* (-16.5%) and the reduction in *due to customers* (-0.2%).

Overall, at 31 December 2018 *indirect deposits* showed a substantial stability (-0.4%) compared with the end of the previous year, remaining at Euro 14.1 billion. This trend is attributable to *deposits from institutional customers*, down by Euro 62 million (-1.2%) to Euro 5.1 billion, and ordinary customer deposits, which came in at Euro 9.0 billion, with an increase of Euro 5.8 million (+0.1%), due to the performance of assets under management (+1.2%), partially offset by a decrease in assets under administration (-1.9%).

The total amount of *loans to customers* at the end of the period amounted to Euro 9.6 billion, a decrease compared with the balance at the end of 2017 (-2.5%), due to the sales of NPLs, which significantly reduced the stock of non-performing loans (-51.3%).

At 31 December 2018, total *financial assets* amounted to Euro 3.1 billion, an increase of 35.1% compared with the end of the previous year.
In particular, during the year, there was a significant development in the Held To Collect (HTC) investment portfolio, valued at amortised cost, which at 31 December 2018 amounted to about Euro 2.7 billion (88.4% of the entire proprietary portfolio), also due to the change in the business model, while at 31 December 2017, in application of IAS 39, which was in force at the time, the largest part of the portfolio consisted of the Available For Sale (AFS) segment, measured at fair value through other comprehensive income, which amounted to about Euro 1.5 billion (66.3% of the entire proprietary portfolio). The category of financial instruments Held to Collect also includes Euro 0.3 billion of senior securities of the 2Worlds s.r.l. securitisation subscribed by the Group following the sale of doubtful loans through the GACS scheme; on 3 October 2018 the Group received a formal communication that the Minister of Economy and Finance had granted the State guarantee for these securities on 5 September 2018.

The *Group's net interbank position* at 31 December 2018 is negative for Euro 1.3 billion, an increase compared with the position at the end of the previous year, which was also negative for Euro 0.5 billion. The balance at the reporting date reflects almost entirely the TLTRO debt owed to the ECB.

Shareholders' equity pertaining to the Parent Company at 31 December 2018, including net profit for the period, amounts to Euro 892.1 million, compared with Euro 927.1 million at the end of the previous year. The negative change of Euro 35.0 million is due to FTA of IFRS 9 for Euro 54.4 million, to payment of the 2017 dividend for Euro 13.3 million and to the positive other comprehensive income for the period of Euro 32.7 million.

On 23 January and 25 January 2018, taking account of a best estimate available at the time of the higher adjustments for expected losses on performing and non-performing loans on first-time application of the standard, the Boards of Directors of Banca Popolare di Spoleto and Banco Desio resolved to join the transitional regime introduced by the Regulation (EU) 2017/2395 of 12 December 2017, aimed at mitigating the impact of the new standard on own funds and capital ratios, with reference to both the increase in adjustments for expected losses on performing and non-performing loans on first-time adoption of the standard and the increase in expected losses on performing loans compared with the date of first-time adoption of the standard.

With reference to the Banco Desio Banking Group, Own Funds at 31 December 2018, after a pay-out that takes account of the proposed allocation of the net profits of Group companies, subject to authorisation by their respective shareholders' meetings, amounted to Euro 1,056.9 million (CET1 + AT1 of Euro 954.8 million + T2 of Euro 102.1 million), a decrease of Euro 32.2 million compared with the final balance at the end of the previous year of Euro 1,089.1 million, mainly due to the decrease in Tier 2 capital compared with 31 December 2017, partially offset by the other comprehensive income of the year. The Common Equity Tier 1 ratio (CET1/Risk-weighted assets) was 12.1%. The Tier 1 ratio (T1/Risk-weighted assets) came to 12.3%, while the Total capital ratio (Total Own Funds/Risk-weighted assets) was 13.6%.

The calculation of *Own Funds* and of the *consolidated prudential requirements* at 31 December 2018, which are transmitted to the Bank of Italy in relation to the prudential supervisory reports (COREP) and statistical financial reports (FINREP), was 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 amount to Euro 934.0 million at 31 December 2018 (CET1 + AT1 of Euro 799.8 million, T2 of Euro 134.2 million). The Common Equity Tier 1 ratio (CET1/Risk-weighted assets) was 9.4%. The Tier 1 ratio (T1/Risk-weighted assets) came to 10.3%, while the Total capital ratio (Total Own Funds/Risk-weighted assets) was 12.0%.

Note that the Bank of Italy's minimum requirements at consolidated level (based on the SREP) are as follows:
- 6.625% for the Common Equity Tier 1 ratio, binding - pursuant to art. 67-ter TUB - to the extent of 4.8% (of which 4.5% for the minimum regulatory requirements and 0.3% for additional requirements) and the capital conservation buffer for the remainder;
- 8.225% for the Tier 1 ratio, binding - pursuant to art. 67-ter TUB - to the extent of 6.4% (of which 6.0% for the minimum regulatory requirements and 0.4% for additional requirements) and the capital conservation buffer for the remainder;
- 10.375% for the Total Capital ratio, binding - pursuant to art. 67-ter TUB - to the extent of 8.5% (of which 8% for the minimum regulatory requirements and 0.5% for additional requirements) and the capital conservation buffer for the remainder.

As a result, at 31 December 2018 the Group again had capital ratios above the established minimum requirements.

Consolidated income statement

The *net profit pertaining to the Parent Company* at 31 December 2018 comes to Euro 35.3 million, a decrease of 19.3% compared with the profit for the comparative period of Euro 43.7 million.

The *profit (loss) from operations after tax* is down by around 10.2 million (-22.0%) compared with 31 December 2017, mainly due to the negative effect on the cost of credit linked to the sale of doubtful loans by means of a GACS as mentioned previously. The *non-recurring profit (loss) after tax*, on the other hand, benefited from non-recurring revenue components due to an adjustment of the liabilities provided for under the current redundancy plan, compared with the prior period, which included the adjustment of certain investments classified in financial assets available for sale (in application of IAS 39, which was in force at the time).

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

Operating income
Core revenues decreased by about Euro 30.5 million compared with the previous period (-7.1%), coming in at Euro 400.4 million. This trend is attributable to:
- *net interest income* which, in consideration of the persistent effects of the expansive monetary policy that heavily compresses interest income, shows a reduction of Euro 16.7 million (-7.3%),
- the *net results on financial assets and liabilities* which stood at Euro 7.6 million, a reduction of Euro 15.6 million,
- the balance of *other operating income/expense*, down by about Euro 2.4 million,

partially offset by the positive contribution from *net commissions*, up by Euro 1.6 million (+1.0%) and *dividends*, which came to Euro 3.2 million (formerly Euro 0.6 million).
Net results on financial assets and liabilities include capital losses on *mutual funds that have to be measured at fair value* for Euro 3.1 million (in the comparative period, the negative valuation effect of Euro 0.5 million was recognised in other comprehensive income in accordance with IAS 39).

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 275.5 million and have decreased, with respect to the comparative period, by Euro 5.3 million (-1.9%).
In particular, *other administrative expenses* have increased by Euro 2.4 million (+2.6%). The balance includes Euro 8.2 million for the ex-ante ordinary gross contributions to the Single Resolution Mechanism (SRM) and to the Deposit Guarantee Scheme (DGS) (Euro 7.4 million in the prior year).
Payroll costs have decreased by Euro 6.4 million (-3.6%) on the prior period, whereas the balance of *net adjustments to property, plant and equipment and intangible assets* came to Euro 10.9 million (-9.9%).

Results of operations
The *results of operations* at 31 December 2018 therefore amounted to Euro 124.9 million, Euro 25.3 million down on the prior period (-16.8%).

Net profit (loss) from operations after tax
The *result of operations* of Euro 124.9 million leads to a *net profit (loss) from operations after tax* of Euro 36.1 million, 22.0% down on the Euro 46.3 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 76.9 million (formerly Euro 78.7 million), affected by:
  - *losses from the sale of loans* on completion of the securitisation transaction under the GACS scheme, which involves an Italian State guarantee on the senior securities issued following the securitisation of doubtful loans pursuant to Decree Law 18/2016 and other operations to reduce the stock of NPLs;
  - application of the new models for the determination of the expected loss on loans adopted by the bank in application of IFRS 9 starting from 1 January 2018, and therefore not fully comparable with the prior period figure;
- *net adjustments to proprietary securities* of Euro 4.0 million (formerly Euro 2.2 million), which during the period includes the adjustments deriving from application of the new models for the determination of the expected loss on the proprietary securities portfolio in accordance with IFRS 9 starting from 1 January 2018 and therefore not comparable with the previous period, which included adjustments to mutual funds and equity instruments in application of IAS 39;
- *net provisions for risks and charges*, including commitments and guarantees given, of Euro 1.2 million (previously Euro 0.9 million);
- *income taxes on current operations* of Euro 6.5 million (formerly Euro 22.0 million).

Result of non-recurring items after tax
At 31 December 2018 there was a *non-recurring profit after tax* of Euro 0.4 million. This item basically consists of:

- the revenue component of Euro 2.5 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 and
- other non-recurring costs relating to participation in system interventions of around Euro 0.4 million,

net of the related tax effect (negative for Euro 0.2 million).

For the comparative period, *non-recurring profit (loss) after tax* was a loss of Euro 1.4 million. This mainly consists of:

- impairment adjustments (net of the use of provisions) recognised:
  - for Euro 2.1 million on a minority bank shareholding acquired under a commitment made previously;
  - for Euro 3.6 million on the Atlante Fund following the write-off of the value of the banking interests held by the fund;

  both reclassified from *net impairment losses on available-for-sale financial assets.*
- the negative income components linked to participation in the Interbank Deposit Protection Fund's Voluntary Intervention Scheme (VIS), in particular:

- Euro 4.4 million paid to the VIS during the year for the capital increases of the three banks sold to Cariparma in December, reclassified from the *net results on financial assets and liabilities*;
- Euro 1.0 million for the impairment made on the nominal value of the securitisation tranches of NPLs subscribed by the VIS, reclassified from net impairment *adjustments to financial assets available for sale;*

▪ income of Euro 5.7 million from the special dividend paid by Cedacri S.p.A.;
▪ interest income of Euro 1.6 million relating to the first few months of TLTRO II, recognised on the basis of the lending policies implemented by the Banco Desio Group, which in December 2017 enabled it to achieve higher net lending than the target needed to benefit from negative interest expense at a rate of 0.40%;

net of the related (positive) tax effects of Euro 2.4 million.

Parent Company net profit/(loss)
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 31 December 2018 of Euro 35.3 million.

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The *Group's distribution network* at 31 December 2018 consists of 265 branches, including 146 in the Parent Company Banco di Desio e della Brianza S.p.A. and 119 of Banca Popolare di Spoleto S.p.A.

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At 31 December 2018, the Group had 2,209 *employees*, 94 fewer (-4.1%) than at the end of the previous year.

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Change in the business models with which financial instruments in the proprietary portfolio are managed

Analysing the final results as of 30 June 2018, the Board of Directors of Banco di Desio e della Brianza gave a boost to the implementation of initiatives aimed at protecting equity and, on 26 September 2018, opted for a more decisive management strategy aimed at favouring stability in the collection of medium-long term financial flows generated by the securities portfolio and therefore mitigating the risk of weakening the Bank's capital ratios. In order to ensure consistent management of the new business models, it has therefore become necessary to review the allocation of financial assets among the different portfolios, change the organisational structure of the Parent Company's Finance Department, redefine/integrate the previous operating limits, as well as revise the reports produced by the Finance Department and update the relevant internal regulations. The accounting effects of this operation, which only affect the balance sheet, took place on 1 October 2018, the "reclassification date" on which the conditions established by IFRS 9 in the case of a change in business models were satisfied.

The management objectives and drivers associated with the new business models have determined a need to review the allocation of financial assets among the various portfolios, according to the characteristics of each financial instrument with respect to the new reasons for holding them, i.e. approximately 74% of the HTC&S portfolio outstanding at the date when the change in business models was approved was associated with the HTC/ALM portfolio. The financial instruments involved in the change of business model from HTC&S to HTC are mainly represented by sovereign debt securities, as well as corporate bonds for a total nominal value of Euro 1,093 million. The related accumulated loss on the reclassification date, previously recognised in other comprehensive income (valuation reserve), was eliminated from equity against the fair value of the financial instruments, which are therefore recognised as if they had always been valued at amortised cost.

The impact of this reclassification on the capital ratios reported at 31 December 2018 was positive for 30 basis points at Banco Desio Banking Group level and 16 basis points at Brianza Unione Group level.

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Proposal for allocation of the net profit shown in the Parent Company's separate financial statements

The Board of Directors will propose to the Ordinary Shareholders' Meeting the distribution of a dividend of Euro 0.0839 for each of the 117,000,000 ordinary shares and a dividend of Euro 0.1007 for each of the 13,202,000 savings shares.

If approved, the proposed allocation of the net profit will mean allocating Euro 19.8 million to equity reserves.

In compliance with the stock exchange calendar, the dividend will be paid on 3 April 2019, while the ex-coupon date for stock pricing purposes and the record date[5] will be 1 April and 2 April 2019, respectively.

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[5] Date of entitlement to payment of the dividend introduced by art. 83-terdecies CFA of Legislative Decree 91/2012

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, 7 February 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 of the Banco Desio Group are attached together with the separate balance sheet and income statement of the Parent Company Banco di Desio e della Brianza S.p.A.

The consolidated and separate financial statements of the Parent Company are subject to audit by Deloitte & Touche S.p.A., who are currently completing their work.

Desio, 7 February 2019

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

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Banco Desio Group

Consolidated balance sheet

Assets	31.12.2018	31.12.2017	Change amount	Change %
10. Cash and cash equivalents	69,219	59,413	9,806	16.5%
20. Financial assets at fair value through profit and loss	60,188	20,981	39,207	186.9%
a) Financial assets held for trading	8,186	20,981	(12,795)	-61.0%
c) Other financial assets mandatorily at fair value	52,002		52,002	
30. Financial assets at fair value through other comprehensive income	296,421	1,511,467	(1,215,046)	-80.4%
40. Financial assets at amortised cost	12,626,834	11,828,618	798,216	6.7%
a) Due from banks	555,965	1,342,552	(786,587)	-58.6%
b) Loans to customers	12,070,869	10,486,066	1,584,803	15.1%
50. Hedging derivatives	1	5	(4)	-80.0%
60. Adjustment to financial assets with generic hedge (+/-)	684	875	(191)	-21.8%
90. Property, plant and equipment	179,418	180,566	(1,148)	-0.6%
100. Intangible assets	17,701	17,946	(245)	-1.4%
of which:				
- goodwill	15,322	15,322		
110. Tax assets	226,537	212,527	14,010	6.6%
a) current	29,227	35,097	(5,870)	-16.7%
b) deferred	197,310	177,430	19,880	11.2%
130. Other assets	131,033	163,424	(32,391)	-19.8%
Total assets	**13,608,036**	**13,995,822**	**(387,786)**	**-2.8%**

Liabilities and shareholders' equity	31.12.2018	31.12.2017	Change amount	Change %
10. Financial liabilities measured at amortised cost	12,301,628	12,686,585	(384,957)	-3.0%
a) Due to banks	1,620,824	1,705,928	(85,104)	-5.0%
b) Due to customers	9,254,591	9,272,337	(17,746)	-0.2%
c) Debt securities in issue	1,426,213	1,708,320	(282,107)	-16.5%
20. Financial liabilities held for trading	6,046	7,976	(1,930)	-24.2%
40. Hedging derivatives	5,175	4,724	451	9.5%
60. Tax liabilities	23,313	30,226	(6,913)	-22.9%
a) current	1	3,425	(3,424)	-100.0%
b) deferred	23,312	26,801	(3,489)	-13.0%
80. Other liabilities	273,634	210,961	62,673	29.7%
90. Provision for termination indemnities	25,175	28,962	(3,787)	-13.1%
100. Provisions for risks and charges	36,745	46,547	(9,802)	-21.1%
a) commitments and guarantees given	2,377		2,377	
c) other provisions for risks and charges	34,368	46,547	(12,179)	-26.2%
120. Valuation reserves	43,920	38,307	5,613	14.7%
150. Reserves	729,024	761,201	(32,177)	-4.2%
160. Share premium reserve	16,145	16,145		
170. Share capital	67,705	67,705		
190. Minority interests (+/-)	44,266	52,785	(8,519)	-16.1%
200. Net profit (loss) for the period (+/-)	35,260	43,698	(8,438)	-19.3%
Total liabilities and shareholders' equity	**13,608,036**	**13,995,822**	**(387,786)**	**-2.8%**

Note: **the balances of the comparative period have been restated conventionally** in the financial statement schedules required by Circular 262 – fifth update. In particular, the securities previously recorded under IAS 39 as "Financial assets available for sale" have been entirely classified as "Financial assets at fair value through other comprehensive income" and securities previously recorded under "Financial assets held to maturity" have been reclassified as "Financial assets at amortised cost" (of which Euro 124,492 thousand to banks and Euro 624,204 thousand to customers), regardless of the choice made for their subsequent allocation, with effect from 1 January 2018, in the business models required by IFRS 9.

Gruppo Banco Desio

Reclassified consolidated income statement

Captions				change	
Amounts in thousands of Euro		31.12.2018	31.12.2017	Amount	%
10+20	Net interest income	212,902	229,642	-16,740	-7.3%
70	Dividends and similar income	3,196	638	2,558	400.9%
40+50	Net commission income	165,656	164,047	1,609	1.0%
80+90+100+110	Net results on financial assets and liabilities	7,551	23,158	-15,607	-67.4%
230	Other operating income/expense	11,104	13,465	-2,361	-17.5%
	Operating income	**400,409**	**430,950**	**-30,541**	**-7.1%**
190 a	Payroll costs	-171,717	-178,144	6,427	-3.6%
190 b	Other administrative costs	-92,938	-90,588	-2,350	2.6%
210+220	Net adjustments to property, plant and equipment and intangible assets	-10,864	-12,059	1,195	-9.9%
	Operating costs	**-275,519**	**-280,791**	**5,272**	**-1.9%**
	Result of operations	**124,890**	**150,159**	**-25,269**	**-16.8%**
130a+100a	Cost of credit	-76,932	-78,650	1,718	-2.2%
130 b	Net adjustments to proprietary securities	-3,997	-2,235	-1,762	78.8%
140	Profit/losses from contractual changes without write-offs	-69		-69	n.s.
200 a	Net provisions for risks and charges - commitments and guarantees given	-417	1,563	-1,980	n.s.
200 b	Net provisions for risks and charges - other	-822	-2,493	1,671	-67.0%
	Profit (loss) from operations before tax	**42,653**	**68,344**	**-25,691**	**-37.6%**
300	Income taxes on current operations	-6,515	-22,000	15,485	-70.4%
	Net profit (loss) from operations after tax	**36,138**	**46,344**	**-10,206**	**-22.0%**
250+280	Profit (loss) from investments and disposal of investments	0	41	-41	-100.0%
	Net provisions for risks and charges, other provisions and expenses	636	-3,790	4,426	n.s.
	Non-recurring result before tax	**636**	**-3,749**	**4,385**	**n.s.**
	Income taxes from non-recurring items	-216	2,364	-2,580	n.s.
	Non-recurring result after tax	**420**	**-1,385**	**1,805**	**n.s.**
330	**Net profit (loss) for the period**	**36,558**	**44,959**	**-8,401**	**-18.7%**
340	Minority interests	-1,298	-1,261	-37	2.9%
350	**Profit (Loss) for the period pertaining to the Parent Company**	**35,260**	**43,698**	**-8,438**	**-19.3%**

Note: **the balances of the comparative period have been restated conventionally** in the financial statement schedules required by Circular 262 – fifth update. In particular, the "Impairment adjustments to other financial transactions" (referred to in caption "130. d") of the formats previously envisaged) are transferred to caption "200. a) Net Provisions for risks and charges – commitments and guarantees given".

"Net interest income" at 31 December 2018 is shown net of the release of the time value component of impaired financial assets, equal to Euro 9,288 thousand, and net of adjustments on interest related to non-performing loans for Euro 3,122 thousand, both reclassified to "Cost of credit" for Euro 6,166 thousand.

Gruppo Banco Desio

Banco di Desio e della Brianza

Separate balance sheet

Assets	31.12.2018	31.12.2017	Change amount	Change %
10. Cash and cash equivalents	31,529	29,119	2,410	8.3%
20. Financial assets at fair value through profit and loss	56,774	15,675	41,099	262.2%
a) Financial assets held for trading	5,661	15,675	(10,014)	-63.9%
c) Other financial assets mandatorily at fair value	51,113	-	51,113	
30. Financial assets at fair value through other comprehensive income	283,372	1,208,510	(925,138)	-76.6%
40. Financial assets at amortised cost	9,128,052	8,562,903	565,149	6.6%
a) Due from banks	943,528	1,687,157	(743,629)	-44.1%
b) Loans to customers	8,184,524	6,875,746	1,308,778	19.0%
70. Equity investments	274,571	274,571		
80. Property, plant and equipment	134,591	135,293	(702)	-0.5%
90. Intangible assets	2,790	3,044	(254)	-8.3%
of which:				
- goodwill	1,729	1,729		
100. Tax assets	117,972	124,687	(6,715)	-5.4%
a) current	8,089	16,131	(8,042)	-49.9%
b) deferred	109,883	108,556	1,327	1.2%
120. Other assets	83,192	105,525	(22,333)	-21.2%
Total assets	**10,112,843**	**10,459,327**	**(346,484)**	**-3.3%**

Liabilities and shareholders' equity	31.12.2018	31.12.2017	Change amount	Change %
10. Financial liabilities measured at amortised cost	8,972,852	9,351,080	(378,228)	-4.0%
a) Due to banks	1,669,097	1,760,234	(91,137)	-5.2%
b) Due to customers	5,964,901	5,988,799	(23,898)	-0.4%
c) Debt securities in issue	1,338,854	1,602,047	(263,193)	-16.4%
20. Financial liabilities held for trading	2,832	4,531	(1,699)	-37.5%
40. Hedging derivatives	2,056	1,414	642	45.4%
60. Tax liabilities	11,035	12,343	(1,308)	-10.6%
b) deferred	11,035	12,343	(1,308)	-10.6%
80. Other liabilities	170,768	127,724	43,044	33.7%
90. Provision for termination indemnities	17,511	20,019	(2,508)	-12.5%
100. Provisions for risks and charges	21,275	29,844	(8,569)	-28.7%
a) commitments and guarantees given	589	-	589	
c) other provisions for risks and charges	20,686	29,844	(9,158)	-30.7%
110. Valuation reserves	39,436	35,928	3,508	9.8%
140. Reserves	760,273	754,598	5,675	0.8%
150. Share premium reserve	16,145	16,145		
160. Share capital	67,705	67,705		
180. Net profit (loss) for the period (+/-)	30,955	37,996	(7,041)	-18.5%
Total liabilities and shareholders' equity	**10,112,843**	**10,459,327**	**(346,484)**	**-3.3%**

Note**: the balances of the comparative period have been restated conventionally** in the financial statement schedules required by Circular 262 – fifth update. In particular, the securities previously recorded under IAS 39 as "Financial assets available for sale" have been entirely classified as "Financial assets at fair value through other comprehensive income" and securities previously recorded under "Financial assets held to maturity" have been reclassified as "Financial assets at amortised cost" (of which Euro 124,492 thousand to banks and Euro 624,204 thousand to customers), regardless of the choice made for their subsequent allocation, with effect from 1 January 2018, in the business models required by IFRS 9.

Reclassified separate income statement

Captions				change	
Amounts in thousands of Euro		31.12.2018	31.12.2017	Amount	%
10+20	Net interest income	121,215	130,963	-9,748	-7.4%
70	Dividends and similar income	2,441	625	1,816	290.6%
40+50	Net commission income	112,513	111,985	528	0.5%
80+90+100+ 110	Net results on financial assets and liabilities	10,022	24,069	-14,047	-58.4%
200	Other operating income/expense	5,172	6,203	-1,031	-16.6%
	Operating income	**251,363**	**273,845**	**-22,482**	**-8.2%**
160 a	Payroll costs	-109,053	-113,009	3,956	-3.5%
160 b	Other administrative costs	-56,770	-53,890	-2,880	5.3%
180+190	Net adjustments to property, plant and equipment and intangible assets	-6,676	-7,549	873	-11.6%
	Operating costs	**-172,499**	**-174,448**	**1,949**	**-1.1%**
	Result of operations	**78,864**	**99,397**	**-20,533**	**-20.7%**
100a+130a	Cost of credit	-45,452	-47,330	1,878	-4.0%
130 b	Net adjustments to proprietary securities	-3,601	-2,235	-1,366	61.1%
140	Profit/losses from contractual changes without write-offs	-10		-10	
170 a	Net provisions for risks and charges - commitments and guarantees given	-99	74	-173	n.s.
170 b	Net provisions for risks and charges - other	-854	407	-1,261	n.s.
	Dividends from equity investments in subsidiaries	8,100	6,640	1,460	22.0%
	Profit (loss) from operations before tax	**36,948**	**56,953**	**-20,005**	**-35.1%**
270	Income taxes on current operations	-6,620	-16,952	10,332	-60.9%
	Net profit (loss) from operations after tax	**30,328**	**40,001**	**-9,673**	**-24.2%**
	Net provisions for risks and charges, other provisions and expenses	946	-3,938	4,884	n.s.
	Non-recurring result before tax	**946**	**-3,938**	**4,884**	**n.s.**
	Income taxes from non-recurring items	-319	1,933	-2,252	n.s.
	Non-recurring result after tax	**627**	**-2,005**	**2,632**	**n.s.**
300	**Net profit (loss) for the period**	**30,955**	**37,996**	**-7,041**	**-18.5%**

Note: **the balances of the comparative period have been restated conventionally** in the financial statement schedules required by Circular 262 – fifth update. In particular, the "*Impairment adjustments to other financial transactions*" (referred to in caption "130. d)" of the formats previously envisaged) are transferred to caption "170. a) Net Provisions for risks and charges - commitments and guarantees given".

"Net interest income" at 31 December 2018 is shown net of the release of the time value element of impaired financial assets, equal to Euro 4,818 thousand, and net of adjustments on interest related to non-performing loans for Euro 1,527 thousand, both reclassified to "Cost of credit" for Euro 3,291 thousand.