PRESS RELEASE

CONSOLIDATED RESULTS AT 31 MARCH 2019

The Board of Directors of Banco di Desio e della Brianza S.p.A. has approved this "Consolidated Quarterly Report at 31 March 2019 – Press Release"

PROFITABILITY

- ✓ **CONSOLIDATED NET PROFIT (pertaining to the Parent Company) Euro 12.0 million (vs Euro 9.5 million at 31 March 2018), UP BY 26.6% also thanks to the positive effect on cost of credit of the relevant decrease in NPL loans achieved in the previous year**

SUPPORT FOR THE ECONOMY

- ✓ **INCREASE IN THE TOTAL CUSTOMER DEPOSITS to Euro 25.4 billion (+2.4% on 31.12.2018), of which DIRECT DEPOSITS of Euro 10.7 billion (substantially unchanged, with a Ordinary customer loans/Direct deposits ratio at 89.1%, vs 90.0%) and INDIRECT DEPOSITS of Euro 14.7 billion (+4.3%, of which ORDINARY CUSTOMERS +4.8% and INSTITUTIONAL CUSTOMERS +3.3%)**
- ✓ **LOANS TO CUSTOMERS at the end of the quarter stood at around Euro 9.6 billion, in line with the figure at the end of 2018 (-1.1% the trend inLOANS TO ORDINARY CUSTOMERS)**
- ✓ **PERFORMING LOANS amount to Euro 9.2 billion, in line with the figure at the end of 2018, also due to the new disbursements of Euro 0.5 billion to households and businesses (Euro 0.4 billion in first quarter 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

- ✓ **LEVELS OF COVERAGE of non-performing and performing loans**

  Coverage ratio[1] of doubtful loans at 60.9% and gross of write-offs at 65.6% (vs 59.3% and 64.5% at 31.12.2018)

  Coverage ratio[1] of non-performing loans at 43.4% (vs 42.2%), 46.7% gross of write-offs (45.6%)

  Coverage of performing loans 0.51% (vs 0.54%)
- ✓ **INCIDENCE OF NPL LOANS:**

  ***Net doubtful loans/Net loans ratio* at 1.3% (vs 1.3% at 31.12.2018)**

  ***Gross doubtful loans/Gross loans ratio* at 3.2% (vs 3.0%)**

  ***Net non-performing loans/Net loans ratio* at 4.1% (vs 4.2%)**

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

CAPITAL SOLIDITY[2]

Ratios at 31 March 2019[3]	Banco di Desio e della Brianza	Banca Popolare di Spoleto	Banco Desio Group	Brianza Unione Group
CET 1	18.65%	10.67%	12.35%	9.84%
TIER 1	18.68%	10.67%	12.47%	10.68%
Total Capital	20.31%	11.41%	13.66%	12.34%

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 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 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, Tier 1 ratio of 8.85%, binding - pursuant to art. 67-ter TUB - 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 - 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.

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

The Board of Directors of Banco di Desio e della Brianza S.p.A., which met on 9 May 2019, approved the "Consolidated quarterly report on operations at 31 March 2019 – Press release" (hereinafter "Report"), which has been prepared on a voluntary basis.

This Report has also been prepared in order to determine the result for the period, so that own funds and prudential coefficients can be calculated.

As regards the criteria for recognition and measurement, this Interim report has been prepared, by applying the IAS/IFRS in force at the reference date as follows.

The figures in the tables and the schedules of the Report are expressed in thousands of Euro.

The Report is subject to a limited audit by Deloitte & Touche S.p.A. in order to calculate the portion of the interim result to be included in own funds.

First-time adoption of IFRS 16 - Leases

IFRS 16 - Leases came into force on 1 January 2019; the standard provides a new definition of lease and introduces a criterion based on control (or "right of use") of an asset to distinguish lease contracts from contracts for the provision of services, identifying as discriminants: the identification of the asset, the absence of the right to replace it, the right to obtain substantially all of the economic benefits deriving from use of the asset and the right to manage use of the asset underlying the contract. This means that rent, rental and lease contracts that were not previously assimilated to finance leases can now fall into the scope of application of the new standard. As a result for contracts falling under the application of IFRS 16:

- the liabilities side of the balance sheet includes the lease liability, which consists of the current value of the payments which, at the valuation date, still have to be paid to the lessor,
- the assets side of the balance sheet includes the assets consisting of the right of use covered by the contract (so-called "Right of Use Asset" or "RoU Asset"), calculated as the sum of the lease payable, the initial direct costs, the payments made on or before the starting date of the contract (net of any lease incentives received) and the costs of dismantling and/or restoration.

The method of recognising the various elements in the income statement has also changed as a result: while for IAS 17 (to which these contracts were subject before the new standard came into force) lease instalments were recognised under "Other administrative costs", on the basis of IFRS 16 requirements, charges accrued on the lease payable are recorded under "Interest and similar expense" and depreciation charges for the right of use under "Net adjustments to property, plant and equipment/intangible assets". It follows that the impact on the income statement in the first few years will be higher under IFRS 16 than under IAS 17: the depreciation charges are in fact constant over time, whereas interest charges are higher in the first few years, after which they tend to decrease over time.

On the basis of the analyses carried out by the Banco Desio Group as part of the project for implementation of IFRS 16 (information on it was provided in the financial statements at 31 December 2018), taking into account the methodological choices made, on 1 January 2019, on first-time adoption of the accounting standard, a “Lease Liability” of Euro 61.3 million was recorded against a substantially similar increase in non-current assets (increased due to the balance of the related accruals and prepayments at 31 December 2018), from which no initial impact on equity arose.

For further details, please refer to the following paragraph "Basis of preparation" of this Report.

Presentation of comparative figures

For the purpose of preparing this consolidated quarterly financial report, **the comparative figures for the balance sheet (at 31 December 2018) and income statement (at 31 March 2018)** continue to represent and measure the balance sheet and income statement figures determined in application of the accounting standards in force at the time. In particular:

- the balance sheet figures at 31 December 2018 do not include the effects of FTA of IFRS 16 described earlier;
- the income statement figures for the quarter in question reflect the application of IFRS 16 from 1 January 2019, the date of recognition of the effects of first-time adoption, and are therefore not directly comparable with the equivalent figures of the previous year.

Results of the period

Key figures and ratios

Table 1 – Balance sheet

Amounts in thousands of Euro	31.03.2019	31.12.2018	Change amount	%
Total assets	13,671,290	13,608,036	63,254	0.5%
Financial assets	3,161,932	3,081,430	80,502	2.6%
Due from banks (1)	218,146	285,314	-67,168	-23.5%
Loans to customers (1)	9,632,952	9,616,700	16,252	0.2%
of which: Loans to ordinary customers	*9,513,199*	*9,616,700*	*-103,501*	*-1.1%*
of which: Loans to institutional customers	*119,753*		*119,753*	
Property, plant and equipment (2)	237,903	179,418	58,485	32.6%
Intangible assets	17,814	17,701	113	0.6%
Due to banks	1,626,984	1,620,824	6,160	0.4%
Due to customers (3)	9,307,477	9,254,591	52,886	0.6%
Debt securities in issue	1,371,242	1,426,213	-54,971	-3.9%
Shareholders' equity (including Net profit/loss for the period) (4)	892,383	892,054	329	0.0%
Own Funds	1,044,288	1,056,921	-12,633	-1.2%
Total indirect deposits	14,691,669	14,092,711	598,958	4.3%
of which: Indirect deposits from ordinary customers	*9,380,258*	*8,952,340*	*427,918*	*4.8%*
of which: Indirect deposits from institutional customers	*5,311,411*	*5,140,371*	*171,040*	*3.3%*

Table 2 – Income statement (5)

Amounts in thousands of Euro	31.03.2019	31.03.2018	Change amount	%
Operating income	98,045	100,611	-2,566	-2.6%
of which: Net interest income	*54,209*	*53,544*	*665*	*1.2%*
Operating costs	71,423	70,864	559	0.8%
Result of operations	26,622	29,747	-3,125	-10.5%
Profit (loss) from continuing operations after tax	12,093	8,990	3,103	34.5%
Non-recurring profit (loss) after tax	481	589	-108	-18.3%
Profit for the period (4)	12,013	9,487	2,526	26.6%

(1) on the basis of Circular 262 the balance of this caption includes held to collect (HTC) debt securities measured at amortised cost, which in these key figures are shown under financial assets.

(2) the balance of this item at 31 March 2019 includes the right of use ("RoU Assets") equal to € 60.2 million for operating lease contracts falling within the scope of application of IFRS 16 Leases, which came into effect on 1 January 2019.

(3) the balance of this item at 31 March 2019 does not include the liability recognised in Due to customers for operating lease contracts falling within the scope of application of IFRS 16, which came into effect on 1 January 2019.

(4) pertaining to the Parent Company;

(5) from the Reclassified Income Statement.

Table 3 – Key figures and ratios

	31.03.2019	31.12.2018	Change amount
Capital/Total assets	6.5%	6.6%	-0.1%
Capital/Loans to customers	9.3%	9.3%	0.0%
Capital/Due to customers	9.6%	9.6%	0.0%
Capital/Debt securities in issue	65.1%	62.5%	2.6%
Common Equity Tier 1 (CET 1)/Risk-weighted assets (Common Equity Tier 1 ratio) (6) (7)	12.4%	12.1%	0.3%
Core Tier 1 capital (T1)/Risk-weighted assets (Tier 1 ratio) (6) (7)	12.5%	12.3%	0.2%
Total Own Funds/Risk-weighted assets (Total capital ratio) (6) (7)	13.7%	13.6%	0.1%
Financial assets/Total assets	23.1%	22.6%	0.5%
Due from banks/Total assets	1.6%	2.1%	-0.5%
Loans to customers/Total assets	70.5%	70.7%	-0.2%
Loans to customers/Direct customer deposits	90.2%	90.0%	0.2%
Due to banks/Total assets	11.9%	11.9%	0.0%
Due to customers/Total assets	68.1%	68.0%	0.1%
Debt securities in issue/Total assets	10.0%	10.5%	-0.5%
Direct customer deposits/Total assets	78.1%	78.5%	-0.4%
	31.03.2019	**31.03.2018**	**Change amount**
Cost/Income ratio	72.8%	70.4%	2.4%
Net interest income/Operating income	55.3%	53.2%	2.1%
Result of operations/Operating income	27.2%	29.6%	-2.4%
Profit (loss) from continuing operations after tax/Capital (8) (9)	5.5%	4.2%	1.3%
ROE (8) annualised (9) (10)	5.5%	4.3%	1.2%
Profit (loss) from continuing operations before tax/Total assets (ROA) (9)	0.6%	0.3%	0.3%
	31.03.2019	**31.12.2018**	**Change amount**
Net doubtful loans/Loans to customers	1.3%	1.3%	0.0%
Net impaired loans/Loans to customers	4.1%	4.2%	-0.1%
% Coverage of doubtful loans (11)	60.9%	59.3%	1.6%
% Coverage of doubtful loans, gross of cancellations (11)	65.6%	64.5%	1.1%
% Total coverage of non-performing loans (11)	43.4%	42.2%	1.2%
% Coverage of non-performing loans, gross of cancellations (11)	46.7%	45.6%	1.1%
% Coverage of performing loans	0.51%	0.54%	-0.03%

Table 4 – Structure and productivity ratios

	31.03.2019	31.12.2018	Change amount	Change %
Number of employees	2,199	2,209	-10	-0.5%
Number of branches	265	265	0	0.0%
Amounts in thousands of Euro				
Loans and advances to customers per employee (12)	4,371	4,263	108	2.5%
Direct deposits from customers per employee (12)	4,845	4,734	111	2.3%
	31.03.2019	**31.03.2018**	**Change amount**	**Change %**
Operating income per employee (12) - annualised (9)	178	177	1	0.6%
Result of operations per employee (12) - annualised (9)	48	55	-7	-12.7%

(6) Consolidated capital ratios for Banco Desio. The ratios for the scope of consolidation for regulatory purposes at Brianza Unione level at 31 March 2019 are: Common Equity Tier1 9.8%; Tier 1 10.7%; Total capital ratio 12.3%.

(7) Capital ratios at 31.03.2019 are calculated in application of the transitional provisions introduced by EU Regulation 2017/2395; the ratios calculated without application of these provisions are the following: Common Equity Tier1 11.7%; Tier 1 11.9%; Total capital ratio 13.0%.

(8) equity excluding net profit (loss) for the period;

(9) the amount reported at 31.12.2018 is the final figure at the end of 2018;

(10) the annualised ROE at 31.03.2019 does not take into consideration the annualisation of the Net non-recurring operating profit;

Consolidated income statement

The net profit attributable to the parent company is around Euro 12.0 million at 31 March 2019, up by 26.6% compared with the profit of the comparative period of Euro 9.5 million, benefiting from the decrease in the cost of credit of approximately Euro 5.9 million and the improvement in the other adjustment components for Euro 3.9 million (net impairment adjustments to proprietary securities and net provisions for risks and charges), only partially offset by the fall in the result of operations of Euro 3.1 million and the increase in income taxes on continuing operations for Euro 3.5 million.

Table 5 – Reclassified consolidated income statement

Captions				Change	
	Amounts in thousands of Euro	31.03.2019	31.03.2018	Amount	%
10+20	Net interest income	54,209	53,544	665	1.2%
70	Dividends and similar income	457	458	-1	-0.2%
40+50	Net commission income	38,024	38,608	-584	-1.5%
80+90+100 +110	Net results on financial assets and liabilities	3,093	4,560	-1,467	-32.2%
230	Other operating income/expense	2,262	3,441	-1,179	-34.3%
	Operating income	**98,045**	**100,611**	**-2,566**	**-2.6%**
190 a	Payroll costs	-42,734	-44,057	1,323	-3.0%
190 b	Other administrative costs	-26,069	-23,938	-2,131	8.9%
210+220	Net adjustments to property, plant and equipment and intangible assets	-2,620	-2,869	249	-8.7%
	Operating costs	**-71,423**	**-70,864**	**-559**	**0.8%**
	Result of operations	**26,622**	**29,747**	**-3,125**	**-10.5%**
130a+100a	Cost of credit	-9,139	-14,995	5,856	-39.1%
130 b	Net adjustments to securities owned	2,550	7	2,543	n.s.
140	Profit/losses from contractual changes without write-offs	71		71	n.s.
200 a	Net provisions for risks and charges - commitments and guarantees given	-815	49	-864	n.s.
200 b	Net provisions for risks and charges - other	-88	-2,212	2,124	-96.0%
	Profit (loss) from continuing operations before tax	**19,201**	**12,596**	**6,605**	**52.4%**
300	Income taxes on continuing operations	-7,108	-3,606	-3,502	97.1%
	Profit (loss) from continuing operations after tax	**12,093**	**8,990**	**3,103**	**34.5%**
	Net provisions for risks and charges, other provisions and expenses	718	880	-162	-18.4%
	Non-recurring result before tax	**718**	**880**	**-162**	**-18.4%**
	Income taxes from non-recurring items	-237	-291	54	-18.6%
	Non-recurring result after tax	**481**	**589**	**-108**	**-18.3%**
330	**Net profit (loss) for the period**	**12,574**	**9,579**	**2,995**	**31.3%**
340	Minority interests	-561	-92	-469	509.8%
350	**Profit (Loss) for the period pertaining to the Parent Company**	**12,013**	**9,487**	**2,526**	**26.6%**

The main cost and revenue items in the reclassified income statement are analysed below, with comments, where necessary, on situations where it is not possible to make a straight comparison because the accounting treatment is inconsistent.

Operating income

Core revenues decreased by about Euro 2.6 million compared with the previous period (-2.6%), coming in at Euro 98.0 million.
Net interest income shows an increase of approximately Euro 0.7 million (+1.2%). Net interest income is shown after the release of the time value component and net of the impairment adjustments on interest on non-performing financial assets, reclassified in the cost of credit for Euro 1.8 million (vs Euro 2.4 million).
There has been a decline in the contribution made by the *net result of financial assets and liabilities* of Euro 3.1 million (vs 4.6 million), *other operating income/expenses* of Euro 2.3 million (vs 3.4 million) and *net commissions* of Euro 38.0 million (-1.5%). Dividends, which amounted to Euro 0.5 million, are in line with the comparative period.

Operating costs

Operating costs, which include *payroll costs, other administrative expenses and net adjustments to property, plant and equipment and intangible assets* amounted to around Euro 71.4 million and have increased, with respect to the comparative period, by Euro 0.6 million (+0.8%).
In particular, *other administrative expenses* have increased by Euro 2.1 million (+8.9%). Note that the balance includes Euro 4.5 million of the estimated ex-ante gross ordinary contributions to the Single Resolution Mechanism (SRM) versus Euro 3.8 million in the comparative period. The balance at 31 March 2019 also includes the Euro 3.0 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 0.3 million and to item "180 Net adjustments to property, plant and equipment” for Euro 2.7 million; in the comparative period, the charges incurred on these contracts were recorded in item "160 b) Other administrative costs". Application of the new accounting standard involved recognising higher charges for Euro 0.2 million (before tax) during the period.
Payroll costs have decreased by 3.0% on the prior period, whereas the balance of *net adjustments to property, plant and equipment and intangible assets* came to Euro 2.6 million (-8.7%).

Results of operations

The *result of operations* at 31 March 2019 therefore came to Euro 26.6 million, a decrease of Euro 3.1 million compared with the prior year (-10.5%).

Net profit (loss) from operations after tax

The *result of operations* leads to a *profit from continuing operations after tax* of Euro 12.1 million, 34.5% up on Euro 9.0 million in the comparative period, considering:

- the *cost of credit* (*net impairment adjustments to financial assets measured at amortized cost* plus *gains (losses) on disposal or repurchase of loans*) of about Euro 9.1 million compared with Euro 15.0 million in the first quarter of the previous period;
- positive *net adjustments to proprietary securities* of Euro 2.6 million (close to zero in the comparative period)
- *net provisions for risks and charges* of Euro 0.9 million (vs Euro 2.2 million);
- *income taxes on continuing operations* of Euro 7.1 million (vs Euro 3.6 million).

Non-recurring profit (loss) after tax

At 31 March 2019 there was a non-recurring profit after tax of Euro 0.5 million (vs Euro 0.6 million). This item consists of the revenue component relating to the adjustment of the liabilities recorded to cover the redundancy plan at the end of 2016, reclassified from personnel costs, with the related tax effect. The same item of revenue, net of tax, led to the balance of the comparative period.

Profit for the period pertaining to the Parent Company

The sum of the *profit (loss) from operations after tax* and *non-recurring profit (loss) after tax*, considering the *net profit (loss) for the period pertaining to minority interests*, leads to a *profit for the period pertaining to the Parent Company* at 31 March 2019 of Euro 12.0 million.

Consolidated financial position

Deposits

Total customer funds under management at 31 March 2019 reached Euro 25.4 billion, representing an increase with respect to the 2018 year end balance (+2.4%), mainly attributable to indirect deposits.

Direct deposits at 31 March 2019 came to Euro 10.7 billion, in line with the previous year's figure, because of the increase in amounts due to customers (+0.6%) more than offset by the reduction in debt securities in issue (-3.9%).

Overall, *indirect deposits* at 31 March 2019, totalled Euro 14.7 billion, an increase compared with the balance at the end of the previous year (+4.3%). The balance of ordinary customer deposits stood at about Euro 9.4 billion, with an increase in both assets under management (+4.4%) and assets under administration (+5.5%). Lastly, deposits from institutional customers amounted to Euro 5.3 billion, also up compared with the balance at the end of the previous year (+3.3%).

The following tables show the trend in deposits during the reporting period and the breakdown of indirect deposits.

Table 6 – Customer deposits

Amounts in thousands of Euro	31.03.2019	%	31.12.2018	%	Change Amount	Change %
Due to customers	9,307,477	36.7%	9,254,591	37.3%	52,886	0.6%
Debt securities in issue	1,371,242	5.4%	1,426,213	5.8%	-54,971	-3.9%
Direct deposits	**10,678,719**	**42.1%**	**10,680,804**	**43.1%**	**-2,085**	**0.0%**
Ordinary customer deposits	9,380,258	37.0%	8,952,340	36.2%	427,918	4.8%
Institutional customer deposits	5,311,411	20.9%	5,140,371	20.7%	171,040	3.3%
Indirect deposits	**14,691,669**	**57.9%**	**14,092,711**	**56.9%**	**598,958**	**4.3%**
Total customer deposits	**25,370,388**	**100.0%**	**24,773,515**	**100.0%**	**596,873**	**2.4%**

Table 7 – Indirect deposits from customers

Amounts in thousands of Euro	31.03.2019	%	31.12.2018	%	Change Amount	Change %
Assets under administration (1)	**3,327,155**	**22.6%**	**3,154,614**	**22.4%**	**172,541**	**5.5%**
Assets under management	**6,053,103**	**41.2%**	**5,797,726**	**41.1%**	**255,377**	**4.4%**
of which: Mutual funds and Sicavs	*2,696,792*	*18.4%*	*2,525,826*	*17.9%*	*170,966*	*6.8%*
Managed portfolios	*919,549*	*6.2%*	*892,092*	*6.3%*	*27,457*	*3.1%*
Bancassurance	*2,436,762*	*16.6%*	*2,379,808*	*16.9%*	*56,954*	*2.4%*
Ordinary customer deposits (1)	**9,380,258**	**63.8%**	**8,952,340**	**63.5%**	**427,918**	**4.8%**
Institutional customer deposits (2)	**5,311,411**	**36.2%**	**5,140,371**	**36.5%**	**171,040**	**3.3%**
Indirect deposits (1) (2)	**14,691,669**	**100.0%**	**14,092,711**	**100.0%**	**598,958**	**4.3%**

(1) the totals at 31.03.2019 are stated net of bonds issued by the Parent Company and placed with the customers of Banca Popolare di Spoleto S.p.A. totalling Euro 21.5 million (Euro 25.7 million at 31.12.2018);

(2) institutional customer deposits at 31.03.2019 include securities of the Bancassurance segment of ordinary customers of the Parent Company and of Banca Popolare di Spoleto S.p.A. for Euro 2.2 billion (Euro 2.1 billion at 31.12.2018).

Loans and coverage

Loans to customers at 31 March 2019 total Euro 9.6 billion (+0.2% since the end of 2018), mainly related to *loans to ordinary customers* (-1.1% compared with the comparative period).

The main indicators relating to the levels of coverage of impaired and performing loans are reported below.

Table 8 – Credit quality at 31 March 2019

	31.03.2019					
Amounts in thousands of Euro	**Gross exposure**	**% of total loans and receivables**	**Write-downs**	**Coverage ratio**	**Net exposure**	**% of total loans and receivables**
Doubtful loans	319.399	3,2%	(194.381)	60,9%	125.018	1,3%
Unlikely to pay	373.626	3,7%	(107.827)	28,9%	265.799	2,8%
Past due non-performing loans	4.477	0,0%	(569)	12,7%	3.908	0,0%
Total non-performing loans	**697.502**	**7,0%**	**(302.777)**	**43,4%**	**394.725**	**4,1%**
Exposures in stage 1	8.213.761	82,3%	(22.754)	0,3%	8.191.007	85,0%
Exposures in stage 2	1.072.158	10,7%	(24.938)	2,3%	1.047.220	10,9%
Performing exposures	**9.285.919**	**93,0%**	**(47.692)**	**0,51%**	**9.238.227**	**95,9%**
Total loans to customers	**9.983.421**	**100,0%**	**(350.469)**	**3,5%**	**9.632.952**	**100,0%**

Table 8-bis – Credit quality at 31 December 2018

	31.12.2018					
Amounts in thousands of Euro	**Gross exposure**	**% of total loans and receivables**	**Write-downs**	**Coverage ratio**	**Net exposure**	**% of total loans and receivables**
Doubtful loans	301,125	3.0%	(178,674)	59.3%	122,451	1.3%
Unlikely to pay	389,085	3.9%	(114,305)	29.4%	274,780	2.9%
Past due non-performing loans	4,763	0.0%	(622)	13.1%	4,141	0.0%
Total non-performing loans	**694,973**	**7.0%**	**(293,601)**	**42.2%**	**401,372**	**4.2%**
Exposures in stage 1	8,212,680	82.5%	(23,392)	0.3%	8,189,288	85.2%
Exposures in stage 2	1,052,378	10.6%	(26,338)	2.5%	1,026,040	10.7%
Performing exposures	**9,265,058**	**93.0%**	**(49,730)**	**0.54%**	**9,215,328**	**95.8%**
Total loans to customers	**9,960,031**	**100.0%**	**(343,331)**	**3.4%**	**9,616,700**	**100.0%**

Lastly, the following table shows the breakdown of loans to customers by type at 31 March 2019 (compared with 31 December 2018), which within loans to ordinary customers (-1.1%) shows a positive trend in medium/long term loans (+0.5%).

Table 9 – Breakdown of loans to customers

Amounts in thousands of Euro	31.03.2019	%	31.12.2018	%	Change Amount	Change %
Current accounts	1,516,023	15.8%	1,589,497	16.5%	-73,474	-4.6%
Mortgages and other long-term loan	6,929,420	71.9%	6,895,602	71.7%	33,818	0.5%
Other	1,067,756	11.1%	1,131,601	11.8%	-63,845	-5.6%
Loans to ordinary customers	**9,513,199**	**98.8%**	**9,616,700**	**100.0%**	**-103,501**	**-1.1%**
Repurchase agreements	119,753	1.2%	0	0.0%	119,753	n.s.
Loans to institutional customers	**119,753**	**1.2%**	**0**	**0.0%**	**119,753**	**n.s.**
Loans to customers	**9,632,952**	**100.0%**	**9,616,700**	**100.0%**	**16,252**	**0.2%**

Securities portfolio and the net interbank position

At 31 March 2019, total *financial assets* amounted to Euro 3.2 billion, with an increase on the end of 2018 (+2.6%). With reference to the issuers of securities, the total portfolio at 31 March 2019 relates for 76.2% to government securities, 8.5% to securities issued by banks and the remainder to other issuers.

The following table gives information on sovereign risk, i.e. on the bonds issued by central and local governments and government agencies, as well as loans granted to them.

Table 10 – Exposure in sovereign debt securities

Amounts in thousands of Euro		31.03.2019 Italy	31.03.2019 Portugal	Total	31.12.2018 Italy	31.12.2018 Spain	31.12.2018 Portugal	Total
Financial assets designated at fair value through profit or loss	Nominal value	-	-	-	2,371	-	-	2,371
	Book value	-	-	-	1,521	-	-	1,521
Financial assets designated at fair value through other comprehensive income	Nominal value	400,000	-	400,000	240,000	-	-	240,000
	Book value	400,431	-	400,431	241,492	-	-	241,492
Financial assets measured at amortised cost	Nominal value	1,960,921	30,000	1,990,921	1,940,921	15,000	25,000	1,980,921
	Book value	1,973,364	34,642	2,008,006	1,950,485	15,260	27,451	1,993,196
Sovereign debt	**Nominal value**	**2,360,921**	**30,000**	**2,390,921**	**2,183,292**	**15,000**	**25,000**	**2,223,292**
	Book value	**2,373,795**	**34,642**	**2,408,437**	**2,193,498**	**15,260**	**27,451**	**2,236,209**

The *net interbank position* is negative for Euro 1.4 billion, compared with the position at the end of the previous year, which was also negative for Euro 1.3 billion.

Capital and capital adequacy ratios

Shareholders' equity pertaining to the Parent Company at 31 March 2019, including net profit for the period, amounts to Euro 892.4 million (Euro 892.1 million at 31 December 2018). The positive change of Euro 0.3 million is attributable to the comprehensive income for the period, equal to Euro 11.5 million, which more than offset the distribution of dividends for 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.

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. This section therefore presents the results of this calculation, relating to the regulatory scope of the consolidated financial statements drawn up by Brianza Unione di Luigi Gavazzi e Stefano Lado S.A.p.A. (the financial parent company).

The consolidated own funds calculated by the financial parent company Brianza Unione amount to Euro 943.7 million at 31 March 2019 (CET1 + AT1 of Euro 816.8 million, T2 of Euro 126.9 million), compared with Euro 934.0 million at the end of the previous year. The following table shows the consolidated prudential requirements of the financial parent company calculated with and without applying the transitional provisions.

Table 11 – Own Funds and consolidated ratios of the financial Parent Company Brianza Unione with and without application of the transitional regime

	31.03.2019	
	Application of the transitional regime	Without application of the transitional regime
OWN FUNDS		
Common Equity Tier 1 - CET 1	752,155	
Common Equity Tier 1 - CET1 without application of the transitional provisions		*724,637*
Tier 1 capital	816,844	
Tier 1 capital without application of the transitional provisions		*788,956*
Total own funds	943,731	
Total own funds without application of the transitional provisions		*892,784*
RISK ASSETS		
Risk-weighted assets	7,645,423	
Risk-weighted assets without application of the transitional provisions		*7,613,455*
CAPITAL RATIOS		
Common Equity Tier 1 ratio/Risk-weighted assets (CET 1 capital ratio)	9.838%	
Common Equity Tier 1/Risk-weighted assets (CET1 capital ratio) without application of the transitional provisions		*9.518%*
Core Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)	10.684%	
Common Equity Tier 1/Risk-weighted assets (Tier 1 capital ratio) without application of the transitional provisions		*10.363%*
Total Own Funds/Risk-weighted assets (Total capital ratio)	12.344%	
Total own funds/Risk-weighted assets (Total capital ratio) without application of the transitional provisions		*11.726%*

At 31 March 2019, the Common Equity Tier 1 ratio (CET1/Risk-weighted assets) was 9.8% (9.4% at 31 December 2018). The Tier 1 ratio (T1/Risk-weighted assets) was 10.7% (10.3% at 31 December 2018), while the Total Capital ratio (total Own Funds/Risk-weighted assets) was 12.3% (12.0% at 31 December 2018).

Consolidated Own Funds calculated at the Banco Desio Group level, after the pay out of 40%, amounted to Euro 1,044.3 million at 31 March 2019 (CET1 + AT1 Euro 953.5 million + T2 Euro 90.8 million), compared with Euro 1,056,9 million at the end of the previous year. The table below therefore shows the composition of own funds and capital ratios calculated with and without application of the transitional provisions.

Table 11 bis – Own Funds and consolidated ratios of the Banco Desio Group with and without application of the transitional regime

	31.03.2019	
	Application of the transitional regime	Without application of the transitional regime
OWN FUNDS		
Common Equity Tier 1 - CET 1	944,686	
Common Equity Tier 1 - CET1 without application of the transitional provisions		*894,582*
Tier 1 capital	953,451	
Tier 1 capital without application of the transitional provisions		*903,251*
Total own funds	1,044,288	
Total own funds without application of the transitional provisions		*986,762*
RISK ASSETS		
Risk-weighted assets	7,647,346	
Risk-weighted assets without application of the transitional provisions		*7,615,378*
CAPITAL RATIOS		
Common Equity Tier 1 ratio/Risk-weighted assets (CET 1 capital ratio)	12.353%	
Common Equity Tier 1/Risk-weighted assets (CET1 capital ratio) without application of the transitional provisions		*11.747%*
Core Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)	12.468%	
Common Equity Tier 1/Risk-weighted assets (Tier 1 capital ratio) without application of the transitional provisions		*11.861%*
Total Own Funds/Risk-weighted assets (Total capital ratio)	13.656%	
Total own funds/Risk-weighted assets (Total capital ratio) without application of the transitional provisions		*12.957%*

At 31 March 2019, 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 13.7% (13.6% at 31 December 2018).

These figures are again well above the Group's minimum requirements according to the Bank of Italy (SREP) provision which requires the Parent Company to comply with the following minimum capital requirements at a consolidated level:

- ***7.25% for the Common Equity Tier 1 ratio***, binding - pursuant to art. 67-ter TUB - to the extent of 4.75% (of which 4.5% for the minimum regulatory requirements and 0.25% for additional requirements) and the capital conservation buffer for the remainder;
- ***8.85% for the Tier 1 ratio***, binding - pursuant to art. 67-ter TUB - to the extent of 6.35% (of which 6.0% for the minimum regulatory requirements and 0.35% for additional requirements) and the capital conservation buffer for the remainder;
- ***11.0% 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.

Performance of consolidated companies

Performance of the Parent Company Banco di Desio e della Brianza S.p.A.

The *Profit (loss) from operations after tax* at 31 March 2019 comes to Euro 17.3 million, an increase of 16.4% compared with the prior period when it came to Euro 14.8 million; worth noting, in particular, are the decrease in the *Result of operations* which amounts to Euro 16.1 million (despite a higher contribution from *Net interest income* of Euro 1.1 million, more than offset by the decline in *Net commission income* of Euro 0.8 million, a fall in *Net results on financial assets and liabilities* of Euro 0.9 million and the increase in *Operating costs* of Euro 1.1 million), compared with Euro 18.4 million in the comparative period, *Dividends from equity investments in subsidiaries* of Euro 9.1 million (vs Euro 8.1 million), the decline in *Cost of credit* which came to Euro 5.2 million (vs Euro 6.8 million), the positive balance of *Net impairment adjustments to proprietary securities* of Euro 2.0 million, the positive balance of *Net provisions for risks and charges* of Euro 0.1 million (charges of Euro 2.0 million in the comparative period) and higher *Income taxes on continuing operations* for Euro 2.0 million.
The *Profit for the period*, amounting to Euro 17.3 million, then benefits from non-recurring revenue items due to adjustment of the liabilities recorded for the redundancy plan recognised at the end of 2016.
Loans to customers rose from Euro 6,163.7 million at the end of 2018 to Euro 6,166.1 million at the reference date.
Shareholders' equity at 31 March 2019, including net profit for the period, amounts to Euro 920.3 million, compared with Euro 914.5 million at the end of 2018. The positive change of Euro 5.8 million is attributable to the trend in comprehensive income for the period of Euro 17.0 million, partially offset by the distribution of dividends.
Shareholders' equity calculated in accordance with the new regulatory provisions defined as *Own Funds*, with an expected pay out of 40%, amounts at 31 March 2019 to Euro 1,002.1 million, compared with Euro 1,005.9 million at the end of the previous year. At 31 March 2019, the *Common Equity Tier 1* ratio stood at 18.65% (17.98% at 31 December 2018), the Tier 1 ratio at 18.68% (18.01% at 31 December 2018) and the Total Capital ratio at 20.31% (19.83% at 31 December 2018).

Performance of the subsidiary Banca Popolare di Spoleto S.p.A.

At the reference date, the Parent Company Banco di Desio e della Brianza S.p.A. held an investment of 81.67%.
The *Profit (loss) from operations after tax* at 31 March 2019 comes to Euro 3.3 million, an increase of 118.5% compared with the prior period when it came to Euro 1.5 million; worth noting in particular is the lower *Cost of credit* which came to Euro 3.4 million (vs Euro 7.6 million), a lower contribution from *Net interest income* of Euro 1.1 million, the containment of *Operating costs* for Euro 0.8 million and higher *Income taxes on continuing operations* for Euro 1.4 million.
The *Profit for the period*, amounting to Euro 3.7 million, was also affected by a revenue item relating to the adjustment of the liabilities recorded for the redundancy plan recognised at the end of 2016, reclassified from personnel expenses, with the related tax effect, for Euro 0.4 million.
Loans to customers rose from Euro 3,389.2 million at the end of 2018 to Euro 3,402.7 million at the reference date, an increase of 0.4% or Euro 13.5 million.
Shareholders' equity at 31 March 2019, including net profit for the period, amounts to Euro 232.3 million, compared with Euro 233.0 million at the end of 2018. The negative change of Euro 0.7 million is attributable to the distribution of dividends, partially offset by the trend in comprehensive income for the period of Euro 3.5 million.
Shareholders' equity calculated in accordance with the new regulatory provisions defined as *Own Funds*, with an expected pay out of 40%, amounts at 31 March 2019 to Euro 279.2 million (CET1 + ATI of Euro 261.2 million + T2 of Euro 18.0 million), compared with Euro 283.9 million at the end of the previous year. At 31 March 2019, the Common Equity Tier 1 ratio was 10.67% (10.83% at 31 December 2018), Tier 1 at 10.67% (10.83% at 31 December 2018) and the Total Capital ratio at 11.41% (11.57% at 31 December 2018).

Performance of the subsidiary Fides S.p.A.

At the reference date, the Parent Company Banco di Desio e della Brianza S.p.A. held an investment of 100%.
The *Profit (loss) from operations after tax* at 31 March 2019 comes to Euro 1.5 million, a decrease of 14.6% compared with the prior period; *operating income* amounted to Euro 4.0 million, down by Euro 0.2 million compared with the period to 31 March 2018, while operating costs totalled Euro 1.7 million (vs Euro 1.7 million), and the *Results of operations*

amounted to Euro 2.3 million (vs Euro 2.5 million). The *Cost of credit*, amounting to approximately Euro 0.1 million, and *taxes* for Euro 0.7 million (vs 0.8 million euro) lead to the result for the period.

Loans to customers increased from Euro 706.2 million at the end of 2018 to Euro 724.3 million at the reference date, an increase of 2.6% or Euro 18.1 million.

Book *Shareholders' equity* at 31 March 2019, including net profit for the period, amounts to Euro 47.3 million, compared with Euro 51.5 million at the end of 2018 (due to the result for the period more than offset by the distribution of dividends).

*Own Funds f*or supervisory purposes have risen from Euro 44.7 million at the end of 2018 to Euro 44.8 million.

Frame of reference

Plan for Banca Popolare di Spoleto S.p.A. to be absorbed by Banco di Desio e della Brianza S.p.A.

During the quarter, work continued on implementing the merger plan (the "Merger" or "Transaction") for Banca Popolare di Spoleto ("BPS") to be absorbed Banco Desio (the "Parent Company"), having been approved by their respective Boards of Directors on 11 December 2018.
The Merger proposes to complete the operational and business integration that has been in progress for some time between the Parent Company and BPS, making it possible to achieve important benefits in terms of cost and revenue synergies, simplification and overall rationalisation of the Banco Desio Group's organisational structure, especially, but not only, in credit & loans, sales & marketing as well as distribution channels. The synergies resulting from the Merger will make it possible, among other things, to allocate additional resources to the commercial development of the Banco Desio Group, in order to refine the quality of the products and services offered to customers.
The Transaction also sets the scene for a redefinition of the Banco Desio Group's territorial strategy by rationalising the commercial network. The aim of this, on the one hand, is to safeguard the "Banca Popolare di Spoleto" brand, especially in Umbria; and, on the other hand, to ensure harmonisation of the product portfolio and services offered to customers, which will be helped by strengthening the centralised structures in commercial matters and the policy and management of the credit & loans area.
The Merger will be implemented in such a way as to safeguard the value and skills of all members of staff throughout the Group's territory, maintaining a second HQ in Spoleto that will provide services for the entire Banco Desio Group, while at the same time ensuring efficient reorganisation of the structures in line with the new entity deriving from the Merger.
As a result of the Merger, BPS shareholders will be able to participate directly in the broader industrial and development project of the Banco Desio Group, while benefiting from the liquidity of Banco Desio shares, taking into account the fact that BPS shares are no longer listed after being suspended indefinitely from trading on the MTA (screen-based equities market) by order of Borsa Italiana S.p.A. dated 19 September 2013 and a subsequent order by Borsa Italiana dated 25 September 2017 with which the listing was revoked from 3 October 2017.
On the basis of the indications received from their respective independent financial advisors, the Boards of Directors of the two banks decided on an Exchange Ratio of 1 Banco Desio ordinary share for every 5 BPS ordinary shares. To service the exchange, the Parent Company will authorise a Capital Increase for a maximum nominal amount of Euro 2,987,819.64 by issuing up to a maximum of 5,745,807 ordinary shares, with regular rights, with an indication of the nominal value of Euro 0.52, to be assigned to the shareholders of BPS on the basis of the Exchange Ratio. The ordinary shares of Banco Desio deriving from the Capital Increase and assigned in exchange to the shareholders of BPS will be admitted to trading on the MTA.
The merger plan has been filed with the Register of Companies in the places where Banco Desio and BPS are located, for it to be registered, after the Bank of Italy gave the authorisation required by arts. 56, 57 and 61 of Legislative Decree 385/1993.
The Explanatory Report approved by the Board of Directors and the Report on the Fairness of the Share Exchange Ratio pursuant to art. 2501-sexies, cc, have also been made available to the public, by the deadlines and in the ways prescribed by applicable laws and regulations. the Merger Plan was then approved by the Extraordinary General Meetings of BPS and the Parent Company, held respectively on 7 and 9 May 2019.
The effects of the Merger for statutory purposes will run from the date indicated in the Merger Deed, which, as things stand, is expected to be signed by the end of the first half of 2019. For accounting and tax purposes, BPS's transactions will be recorded in the Parent Company's financial statements from 1 January 2019, assuming that this date is prior to the date of the registration pursuant to art. 2504-bis of the Italian Civil Code.
As regards Banco Desio, the Merger constitutes a transaction with an "intercompany" related party for the purposes of the "Internal Procedure for transactions with related parties and art. 136 of the Consolidated Banking Act" approved by the Board of Directors of Banco Desio on 25 November 2010 (as subsequently amended) (the "Banco Desio Procedure"), as it was carried out with one of its own subsidiaries (BPS). Given that BPS should not have any significant interests in other related parties of Banco Desio, the Merger is exempt from the provisions of the Consob Regulation 17221/2010 and subsequent amendments (the "Consob Regulation") and the Banco Desio Procedure, except for the obligation to provide information regarding the Merger in accordance with art. 5, paragraph 8, of the Consob Regulation.
As regards Banca Popolare di Spoleto, by virtue of the legal control that exists through this investment between the Parent Company and BPS and taking into account the fact that Banco Desio exercises management and coordination activities for

BPS pursuant to art. 61 of Legislative Decree 385/1993 as Parent Company of the Banco Desio Group, the Merger constitutes a "significant" transaction between related parties pursuant to the Banco Desio Procedure, implemented by BPS by resolution of the Board of Directors of 30 July 2014 and subsequently supplemented with the Addendum last updated on 22 February 2018 (the "BPS Procedure"). The Committee for Transactions with Related Parties of Banca Popolare di Spoleto was therefore involved in the preliminary phase of the Merger, above all by receiving adequate information. With the support of its own advisor appointed for this purpose, the Committee unanimously expressed its opinion that it was in the interest of BPS and its shareholders to go through with the Merger. It was also said that the terms and conditions of the Merger were acceptable and fair. In accordance with the provisions of art. 5 of the Consob Regulation, BPS prepared an information document drawn up in compliance with Attachment 4 of the same Regulation, which was made available to the public by the deadline and with the methods envisaged by applicable laws and regulations.

Directors and Officers of the Parent Company

Following the death of the Director Gigliola Zecchi Balsamo on 20 March 2019, in order to ensure maximum continuity to the board, on 28 March 2019 the Board of Directors of Banco di Desio and Brianza co-opted a new independent member in the person of Valentina Casella, taking into account the preliminary investigation carried out by the Appointments Committee and with the favourable opinion of the Board of Statutory Auditors.
Following this co-option, the Board of Directors reviewed the composition of the following Board committees:

NOMINATIONS COMMITTEE	Cristina FINOCCHI MAHNE (Chairman) Marina BROGI Gerolamo PELLICANÒ
REMUNERATION COMMITTEE	Nicolò DUBINI (Chairman) Stefano LADO Valentina CASELLA
COMMITTEE FOR TRANSACTIONS WITH RELATED PARTIES AND ASSOCIATED PERSONS	Marina BROGI (Chairman) Nicolò DUBINI Valentina CASELLA

The composition of the Executive Committee and the Control and Risk Committee stays the same.

Directors and officers of the subsidiary Banca Popolare di Spoleto

Following the resignation of Claudio Broggi as Director on 8 January 2019, the board co-opted as a Director of the subsidiary BPS Angelo Antoniazzi (General Manager of the Parent Company), who was also appointed as a member of the Executive Committee and Chief Executive Officer from 1 February 2019 . Following the transfer of the Deputy General Manager Massimo Barazzetta to the Parent Company, Valter Longini was appointed Deputy General Manager.

Directors and officers of the subsidiary Fides

On 19 March 2019 the Ordinary Shareholders' Meeting of Fides approved the renewal of the Board of Statutory Auditors for the three-year period 2019-2021, confirming the current members (Eugenio Mascheroni, Rodolfo Anghileri and Fabrizio Iacuitto).

Inspection of the Banco Desio Group by the Bank of Italy

On 8 March 2019, the Bank of Italy began an inspection on the Banco Desio Group pursuant to articles 54 and 68 CBA. The previous inspection (on anti-money laundering) took place during the last few months of the previous year.

Outlook

Macroeconomic scenario

Overall, in 2018 Italy's Gross Domestic Product increased by 0.9%, slowing down compared with the end of 2017 (+1.7%). Consumption and exports also slowed significantly, growing by only 0.5% (vs +1.3% in 2017) and 1.9% (vs +5.9% in 2017) respectively. In the early months of 2019, consumer and business confidence indices continued to fall; the unemployment rate also increased slightly (to 10.7% from 10.5% at the beginning of the year). Inflation remains at low levels: in February, the harmonised index of consumer prices was +1.1%, while core inflation (net of unprocessed food and energy) came to +0.5%.

With regard to the banking market, deposits from resident customers during the first quarter of 2019 rose on an annual basis (+1.2%, vs +0.2% in December). Analysing this, the principal components were in line with previous postings: deposits grew (+3.0%, vs 2.6% in December), bonds slowed the decline in previous surveys (-8.6%, vs -12.3% in December). The growth in volumes was accompanied by a weak drop in the cost of total remuneration (0.60%, vs 0.61% in December), which benefited from the bond maturities. In terms of lending, the latest available data confirm the annual recovery in loans to the private sector (+1.0%, vs +2.0% at the end of 2018): however, the sector is driven by loans to households (+2.6%), which offset the weakness in loans granted to businesses (-0.1%). Lending to the productive sector continues to be influenced by the trend in investments and the economic cycle that, although recovering, remains muted. In March, rates on new loans to households and businesses are still at historically very low levels (2.58%). Within this, the mortgage rate for home loans was 1.87%, while the rate for business loans was 1.43%.

At the end of 2018, industrial production in Lombardy posted lively annual growth (+3.0%), mainly thanks to contributions from the mechanical (+4.8%) and metallurgical (+3.9%) industries. The textile (+1.2%), food (+1.9%), plastics (+2.3%) and wood (+2.7%) industries are growing, albeit with less intensity than before. The apparel (-2.4%) and footwear (-1.1%) industries declined. From a geographical point of view, the most lively provinces in Lombardy were Sondrio (+4.9%), Cremona (+4.8%), Lodi (+3.9%) and Monza (+3.3%). The positive trend in industrial production was reflected in turnover, which also grew on an annual basis (+3.3%), highlighting positive dynamics both in the domestic market (+1.3%) and, above all, in foreign markets (+5.0%).

In Umbria, at the end of 2018, industrial production recorded lively annual growth (+2.4%) mainly thanks to contributions from the mechanical (+7.6%) and metallurgical (+6.4%) industries. The textile (+2.1%), food (+1.7%) and wood (+1.4%) industries are growing, albeit with less intensity than before. The chemical (-1.1%) and electricity (-1.4%) industries are down. The positive trend in industrial production was reflected in turnover, which also grew on an annual basis (+1.3%) with positive contributions from all the main product sectors, with the exception of the electrical (-4.9%) and metallurgical (-1.6%) industries.

Outlook for the current year

Based on the figures at 31 March 2019, it is reasonable to assume that the final result for the year will be positive, substantially in line with that of the previous year, providing the macro economic scenario or the Group's key markets do not suffer critical circumstances, which at present are unforeseen.

As regards the principal risks and uncertainties, note that this Report has been prepared on a going-concern basis, as there is no plausible reason to believe the opposite in the foreseeable future.

Basis of preparation

This *"Consolidated quarterly report at 31 March 2019 – Press release"* has been prepared on a voluntary basis, in order to ensure continuity of information with the previous quarterly reports, given that only the annual and half-yearly reports are now compulsory based on the wording of art. 154-*ter*, paragraph 5, of Legislative Decree no. 58/1998 ("Consolidated Finance Act" or "TUB") introduced by Legislative Decree no. 25/2016 implementing Directive 2013/50/EU.

As regards the recognition and measurement criteria, this Report has been prepared in accordance with the applicable IAS/IFRS issued by the International Accounting Standards Board (IASB) and the related interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), as explained in the "Accounting policies" section of the explanatory notes to the consolidated financial statements at 31 December 2018.

In terms of financial disclosure, as the consolidated quarterly report has been prepared in accordance with art. 154-*ter*, paragraph 5 TUB and for the purposes of determining capital for supervisory purposes (Own Funds), it does not include the explanatory notes that would be required to present the Group's financial position and results of operations for the period in accordance with IAS 34.

The Report is subject to a limited audit by Deloitte & Touche SpA in order to calculate the portion of the interim result to be included in own funds; for this reason, the contents of this report are consistent with the quarterly reports (or interim reports on operations) prepared previously, reflecting in any case what is defined in the *"Group Policy for Additional Periodic Financial Information"*.

As already mentioned in "Part A - Accounting Policies" of the notes to the financial statements at 31 December 2018, the accounting standard IFRS 16 - Leases came into force on 1 January 2019, making it necessary to approve the overall framework of the application rules adopted in determining the "Right of Use Asset" and "Lease Liability".

The main criteria for preparation are presented below as a result of applying the new accounting standard.

Accounting treatment of lease contracts according to IFRS 16

The standard provides a new definition of lease and introduces a criterion based on control (or "right of use") of an asset to distinguish leasing contracts from contracts for the provision of services, identifying as discriminants: the identification of the asset, the absence of the right to replace it, the right to obtain substantially all of the economic benefits deriving from use of the asset and the right to manage use of the asset underlying the contract.

With reference to the accounting recognition requirements, a single model for the recognition and assessment of lease contracts for the lessee was introduced. This involves recording the leased asset, including those under operating leases, on the assets side of the balance sheet with a financial payable as the contra-entry; there is in any case the possibility of not recognising as leases contracts involving low-value assets (i.e. contracts involving assets with a value less than or equal to Euro 5,000) and leases with a duration of 12 months or less.

The main change, for the lessee, therefore consists in overcoming the distinction between an operating lease and a financial lease as per IAS 17: the lessee has to account for all leasing contracts in the same way, recognising an asset and a liability that then has to be depreciated over the life of the contract (including any renewal or early repayment options, if it is reasonably certain that such options will be exercised).

The liabilities side of the balance sheet includes the lease liability, which consists of the current value of the payments which, at the valuation date, still have to be paid to the lessor, while the assets side of the balance sheet includes the assets consisting of the right of use covered by the contract (so-called "Right of Use Asset" or "RoU Asset"), calculated as the sum of the lease payable, the initial direct costs, the payments made on or before the starting date of the contract (net of any lease incentives received) and the costs of dismantling and/or restoration.

The method of recognising the various elements in the income statement has also changed as a result: while for IAS 17 lease instalments were recognised under "Other administrative costs", on the basis of IFRS 16 requirements, charges accrued on the lease payable are recorded under "Interest and similar expense" and depreciation charges for the right of use under "Net adjustments to property, plant and equipment/intangible assets".

For contracts involving low-value assets and those with a duration equal to or less than 12 months, the introduction of IFRS 16 does not entail the recognition of the financial liability and the related right of use; instead, lease payments continue to be recorded in the income statement on a linear basis for the duration of the contract.

The methodologies adopted by the Banco Desio Group

Banco Desio Group companies, as lessors, decided to apply IFRS 16 from 1 January 2019, adopting option "B" of the so-called retrospective modified approach which allows recognition of the cumulative effect of the first-time adoption (FTA) of the standard on the starting date without having to restate the comparative figures. More specifically, option "B" of the modified retrospective approach involves recognition of the following elements:

- the lease liabilities calculated as the current value of the residual payments due for the lease, discounted at the marginal lending rate at the date of FTA (IFRS 16.C8. a);
- the asset consisting of the right of use equal to the liability of the lease adjusted for any prepaid expenses or accrued liabilities relating to the lease recognised in the statement of financial position immediately before the FTA date (IFRS 16.C8.b.ii).

As a result, the 2019 figures are not comparable with those of the previous year for the valuation of the rights to use and the corresponding lease liability.

Upon FTA, the Banco Desio Group adopted some of the practical expedients and recognition exemptions provided for by the standard:

- contracts with an underlying asset value of less than or equal to Euro 5,000 at the FTA date ("low-value assets") were excluded;
- contracts with an overall lease term of less than or equal to 12 months ("short-term assets") were excluded;
- the initial direct costs of measuring the RoU Asset on the FTA date were excluded.

Estimated dismantling costs for the purpose of determining the RoU Asset have not been taken into consideration, as this type of cost should only be considered on the effective date of the lease contract.

With reference to the lease term, the Banco Desio Group has decided to consider only the first renewal period as reasonably certain for new contracts, unless there are contractual clauses that prohibit it, or facts or circumstances that might lead to consider additional renewals or determine the end of the lease agreement. For contracts in existence at the FTA date, a renewal period is added if the contract is in the first contractual period (i.e. the first renewal period has not yet taken place), or if the contract is in a renewal period following the first one, but the deadline for communication of the cancellation has already expired.

As regards the rate for discounting future lease payments, the Banco Desio Group decided to use as an incremental borrowing rate a single interest rate curve relating to the Parent Company Banco di Desio e della Brianza (bearing in mind its absorption of Banca Popolare di Spoleto), also considering a floor of 0% for due dates that have negative interest rates. This curve is based on a risk-free rate (i.e. market interest rate) on the financing spread (i.e. the lessee's credit risk) and is amortising. Typically, the lease contract does not provide for a single payment on the due date, but rather a periodic payment of instalments over the entire duration of the contract, which involves a declining trend for the residual debt.

Declaration of the Financial Reporting Manager

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, 9 May 2019

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

Financial Reporting Manager
Mauro Walter Colombo

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The attached consolidated financial schedules at 31 March 2019 are an integral part of the consolidated quarterly report at 31 March 2019. Deloitte & Touche S.p.A., the independent auditors, are completing their limited audit tests with a view to issuing the report needed for inclusion of the profit for the period in the Bank's own funds.

Desio, 9 May 2019

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

The Chairman
Stefano Lado

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ATTACHMENT

Table A 1 – Consolidated balance sheet

Assets	31.03.2019	31.12.2018	Change amount	Change %
10. Cash and cash equivalents	47,495	69,219	(21,724)	-31.4%
20. Financial assets designated at fair value through profit or loss	36,728	60,188	(23,460)	-39.0%
a) Financial assets held for trading	7,980	8,186	(206)	-2.5%
c) Other financial assets that are necessarily measured at fair value	28,748	52,002	(23,254)	-44.7%
30. Financial assets designated at fair value through other comprehensive income	457,380	296,421	160,959	54.3%
40. Financial assets measured at amortised cost	12,518,922	12,626,834	(107,912)	-0.9%
a) Due from banks	474,030	555,965	(81,935)	-14.7%
b) Loans to customers	12,044,892	12,070,869	(25,977)	-0.2%
50. Hedging derivatives		1	(1)	-100.0%
60. Adjustment to financial assets with generic hedge (+/-)	921	684	237	34.6%
90. Property, plant and equipment	237,903	179,418	58,485	32.6%
100. Intangible assets	17,814	17,701	113	0.6%
of which:				
- goodwill	15,322	15,322		
110. Tax assets	219,754	226,537	(6,783)	-3.0%
a) current	28,911	29,227	(316)	-1.1%
b) deferred	190,843	197,310	(6,467)	-3.3%
130. Other assets	134,373	131,033	3,340	2.5%
Total assets	**13,671,290**	**13,608,036**	**63,254**	**0.46%**

Liabilities and shareholders' equity	31.03.2019	31.12.2018	Change amount	Change %
10. Financial liabilities measured at amortised cost	12,365,968	12,301,628	64,340	0.5%
a) Due to banks	1,626,984	1,620,824	6,160	0.4%
b) Due to customers	9,367,742	9,254,591	113,151	1.2%
c) Debt securities in issue	1,371,242	1,426,213	(54,971)	-3.9%
20. Financial liabilities held for trading	8,332	6,046	2,286	37.8%
40. Hedging derivatives	5,737	5,175	562	10.9%
60. Tax liabilities	23,583	23,313	270	1.2%
a) current	473	1	472	n.s.
b) deferred	23,110	23,312	(202)	-0.9%
80. Other liabilities	270,809	273,634	(2,825)	-1.0%
90. Provision for termination indemnities	26,021	25,175	846	3.4%
100. Provisions for risks and charges	34,427	36,745	(2,318)	-6.3%
a) commitments and guarantees given	3,196	2,377	819	34.5%
c) other provisions for risks and charges	31,231	34,368	(3,137)	-9.1%
120. Valuation reserves	43,382	43,920	(538)	-1.2%
150. Reserves	753,138	729,024	24,114	3.3%
160. Share premium reserve	16,145	16,145		
170. Share capital	67,705	67,705		
190. Minority interests (+/-)	44,030	44,266	(236)	-0.5%
200. Net profit (loss) for the period (+/-)	12,013	35,260	(23,247)	-65.9%
Total liabilities and shareholders' equity	**13,671,290**	**13,608,036**	**63,254**	**0.46%**

Note: the caption "80. Property, plant and equipment" at 31 March 2019 includes the recognition of the right of use asset ("RoU Asset") for Euro 60,157 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 31 March 2019 includes Euro 60,265 thousand of lease liabilities recognized on the same contracts in application of IFRS 16.

Table A 2 – Consolidated income statement

	Captions	31.03.2019	31.03.2018	Change amount	Change %
10.	Interest and similar income	66,423	70,266	(3,843)	-5.5%
20.	Interest and similar expense	(10,751)	(14,344)	3,593	-25.0%
30.	**Net interest income**	**55,672**	**55,922**	**(250)**	**-0.4%**
40.	Commission income	41,933	41,581	352	0.8%
50.	Commission expense	(3,909)	(2,973)	(936)	31.5%
60.	**Net commission income**	**38,024**	**38,608**	**(584)**	**-1.5%**
70.	Dividends and similar income	457	458	(1)	-0.2%
80.	Net trading income	755	(20)	775	n.s.
90.	Net hedging gains (losses)	(16)	(2)	(14)	700.0%
100.	Gains (losses) on disposal or repurchase of:	800	5,551	(4,751)	-85.6%
	a) financial assets measured at amortised cost	10	(101)	111	n.s.
	b) financial assets designated at fair value through other comprehensive income	799	5,832	(5,033)	-86.3%
	c) financial liabilities	(9)	(180)	171	-95.0%
110.	Net result of other financial assets and liabilities designated at fair value through profit and loss	1,420	(1,070)	2,490	n.s.
	b) other financial assets that have to be measured at fair value	1,420	(1,070)	2,490	n.s.
120.	**Net interest and other banking income**	**97,112**	**99,447**	**(2,335)**	**-2.3%**
130.	Net value adjustments/write-backs for credit risk relating to:	(8,224)	(17,110)	8,886	-51.9%
	a) financial assets measured at amortised cost	(8,318)	(17,117)	8,799	-51.4%
	b) financial assets designated at fair value through other comprehensive income	94	7	87	n.s.
140.	Profit/losses from contractual changes without write-offs	71		71	n.s.
150.	**Net profit from financial activities**	**88,959**	**82,337**	**6,622**	**8.0%**
180.	**Net profit from financial and insurance activities**	**88,959**	**82,337**	**6,622**	**8.0%**
190.	Administrative costs:	(72,838)	(75,437)	2,599	-3.4%
	a) payroll costs	(42,016)	(43,177)	1,161	-2.7%
	b) other administrative costs	(30,822)	(32,260)	1,438	-4.5%
200.	Net provisions for risks and charges	(923)	(2,318)	1,395	-60.2%
	a) commitments for guarantees given	(815)	49	(864)	n.s.
	b) other net provisions	(108)	(2,367)	2,259	-95.4%
210.	Net adjustments to property, plant and equipment	(4,473)	(1,845)	(2,628)	142.4%
220.	Net adjustments to intangible assets	(333)	(533)	200	-37.5%
230.	Other operating charges/income	9,527	11,272	(1,745)	-15.5%
240.	**Operating costs**	**(69,040)**	**(68,861)**	**(179)**	**0.3%**
290.	**Profit (loss) from current operations before tax**	**19,919**	**13,476**	**6,443**	**47.8%**
300.	Income taxes on current operations	(7,345)	(3,897)	(3,448)	88.5%
310.	**Profit (loss) from current operations after tax**	**12,574**	**9,579**	**2,995**	**31.3%**
330.	**Net profit (loss) for the period**	**12,574**	**9,579**	**2,995**	**31.3%**
340.	Net profit (loss) pertaining to minority interests	(561)	(92)	(469)	509.8%
350.	**Parent Company net profit (loss)**	**12,013**	**9,487**	**2,526**	**26.6%**

To ease comparison, note that the balances at 31 March 2019 include Euro 326 thousand in the caption “20. Interest expense and similar charges ”and Euro 2,633 thousand in caption “180 Net adjustments to property, plant and equipment” of operating lease charges falling within the scope of IFRS 16 from 1 January 2019; in the comparative period the charges related to these contracts were shown in caption "160 b) Other administrative costs".

Table A 3 – Statement of Consolidated Comprehensive Income

	Captions	31.03.2019	31.03.2018
10.	**Net profit (loss) for the period**	**12,574**	**9,579**
	Other elements of income, net of income taxes without reversal to income statement		
70.	Defined-benefit pension plans	(710)	139
	Other elements of income, net of income taxes with reversal to income statement		
120.	Cash-flow hedges	(199)	22
140.	Financial assets (other than equities) designated at fair value through other comprehensive income	336	3,398
170.	**Total other elements of income (net of income taxes)**	**(573)**	**3,559**
180.	**Total comprehensive income (Captions 10+170)**	**12,001**	**13,138**
190.	Total comprehensive income pertaining to minority interests	(526)	(347)
200.	**Total consolidated comprehensive income pertaining to Parent Company**	**11,475**	**12,791**

Table A 4 – Statement of changes in consolidated shareholders' equity for the period 1 January – 31 March 2019

	Balance at 31.12.2018	Changes in opening balances	Balance at 01.01.2019	Allocation of prior year results		Changes during the year									Group shareholders' equity at 31.03.2019	Minority interests at 31.03.2019
							Transactions on shareholders' equity									
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Changes in equity instruments	Derivatives on treasury shares	Stock options	Changes in equity investments	Comprehensive income at 31.03.2019		
Share capital:																
a) ordinary shares	118,592		118,592												60,840	57,752
b) other shares	6,865		6,865												6,865	
Share premium reserve	31,594		31,594												16,145	15,449
Reserves:																
a) from profits	680,223		680,223	24,650											739,342	(34,469)
b) other	17,612		17,612												13,796	3,816
Valuation reserves:	44,927		44,927											(573)	43,382	972
Equity instruments																
Treasury shares	(51)		(51)													(51)
Net profit (loss) for the period	36,558		36,558	(24,650)	(11,908)									12,574	12,013	561
Group shareholders' equity	**892,054**		**892,054**		**(11,146)**									**11,475**	**892,383**	
Minority interests	**44,266**		**44,266**		**(762)**									**526**		**44,030**

Table A 5 – Statement of changes in consolidated shareholders' equity for the period 1 January – 31 March 2018

	Balance at 31.12.2017	Changes in opening balances	Balance at 01.01.2018	Allocation of prior year results		Changes during the year									Group shareholders' equity at 31.03.2018	Minority interests at 31.03.2018
							Transactions on shareholders' equity									
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Changes in equity instruments	Derivatives on treasury shares	Stock options	Changes in equity investments	Comprehensive income at 31.03.2018		
Share capital:																
a) ordinary shares	118,592		118,592												60,840	57,752
b) other shares	6,865		6,865												6,865	
Share premium reserve	31,594		31,594												16,145	15,449
Reserves:																
a) from profits	721,430	(72,293)	649,137	31,138											715,279	(35,004)
b) other	17,612		17,612												13,796	3,816
Valuation reserves:	38,840	8,146	46,986											3,559	49,704	841
Equity instruments																
Treasury shares	(51)		(51)													(51)
Net profit (loss) for the period	44,959		44,959	(31,138)	(13,821)									9,579	9,487	92
Group shareholders' equity	**927,056**	**(54,432)**	**872,624**		**(13,299)**									**12,791**	**872,116**	
Minority interests	**52,785**	**(9,715)**	**43,070**		**(522)**									**347**		**42,895**

Note: the column "Changes in opening balances" includes the changes made to the closing balances of the previous year to recognise the effects on the balance sheet at 1 January 2018 of FTA of IFRS 9 "Financial instruments".

Table A 6 – Reconciliation of the Parent Company's net profit and shareholders' equity with the Banco Desio Group's consolidated net profit and shareholders' equity

Amounts in thousands of Euro	**Shareholders' equity**	***of which: net profit (loss) for the period***
Balances of the Parent Company Banco Desio at 31 March 2019	***920,334***	***17,341***
Effect of consolidation of subsidiaries	-27,951	3,810
Dividends declared during the period	-	-9,138
Consolidated balance of the Banco Desio Group at 31 March 2019	**892,383**	**12,013**

Table A 7 - Statement of reconciliation between the profit shown in the consolidated income statement of the Banco Desio Group, used for the purpose of calculating the capital for supervisory purposes of the Banco Desio Group

Amounts in thousands of Euro	**Amount**
Profit attributable to the Parent Company Banco Desio	**12,013**
Elements deducted	6,936
- proposed dividends to shareholders (40% pay-out)	*6,936*
Profit included in the consolidated own funds of the Banco Desio Group	**5,077**