SUPPLEMENT DATED 15 JULY 2019

TO THE COVERED BOND BASE PROSPECTUS APPROVED ON 26 JUNE 2019

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

*(incorporated with limited liability as a "Società per Azioni" under the laws of the Republic of Italy and registered at the Companies' Registry of Monza e Brianza under registration number 01181770155)*

Euro 3,000,000,000 Covered Bond (*Obbligazioni Bancarie Garantite*) Programme

unconditionally and irrevocably guaranteed as to payments

of interest and principal by

*DESIO OBG S.r.l.*

*(incorporated as a limited liability company in the Republic of Italy and registered at the Companies' Registry of Treviso – Belluno under registration number 04864650264)*

This document constitutes a supplement (the "**Supplement**") to the prospectus dated 26 June 2019 (the "**Base Prospectus**"), which constitutes a base prospectus under Article 5.4 of Directive 2003/71/EC, which includes the amendments made by Directive 2010/73/EU (the "**Prospectus Directive**") and is prepared in connection with the Euro 3,000,000,000 Covered Bond (*Obbligazioni Bancarie Garantite*) Programme (the "**Programme**") of Banco di Desio e della Brianza S.p.a. (the "**Issuer**"), unconditionally and irrevocably guaranteed as to payments of interest and principal by Desio OBG S.r.l. (the "**Guarantor**").

This Supplement is supplemental to, and shall be read in conjunction with, the Base Prospectus and any other supplement to the Base Prospectus prepared by the Issuer under the Programme. Terms defined in the Base Prospectus have the same meaning when used in this Supplement, unless they have been specifically defined herein.

This Supplement has been approved by the Central Bank of Ireland, as competent authority under the Prospectus Directive. The Central Bank of Ireland only approves this Supplement as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive.

The Issuer and the Guarantor accept responsibility for the information in this Supplement. To the best of the knowledge of the Issuer and the Guarantor (having taken all reasonable care to ensure that such is the case), the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Supplement has been produced to: (i) give notice and consequently update the Base Prospectus in order to reflect the merger by incorporation of Banca Popolare di Spoleto S.p.A. into the Issuer with legal effect from 1st July 2019 and as a consequence of such merger (a) all references in the Base Prospectus to "Banco di Desio e Della Brianza S.p.A." will include "Banca Popolare di Spoleto S.p.A." ("**BPS**") and (b) entire section entitled "*BP Spoleto as Seller*" is deleted; and (ii) update the cover page and sections "*General Description of the Programme*", "*Risk Factors*" and "*Banco Desio as Issuer and Seller*" of the Base Prospectus.

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## COVER PAGE

On page 3 of the Base Prospectus, the fifth and sixth subparagraphs are deleted and replaced as follows:

"*Amounts payable on Floating Rate Covered Bonds may be calculated by reference to one of LIBOR and EURIBOR as specified in the relevant Final Terms. As at the date of this Base Prospectus, the European Money Markets Institute, as administrator of EURIBOR, and the ICE Benchmark Administration, as administrator of LIBOR, are included in ESMA's register of administrators under Article 36 of the Regulation (EU) No. 2016/1011 (the "***Benchmarks Regulation***").*"

## GENERAL DESCRIPTION OF THE PROGRAMME

On page 56 of the Base Prospectus, under the section headed "*Parties*" the description of the Issuer is deleted and replaced as follows:

"*Banco di Desio e della Brianza S.p.A., a company limited by shares incorporated under the laws of Italy, whose registered office is at Desio (MB), via Rovagnati No. 1, Italy, Fiscal Code and enrolment with the Companies' Register of Monza e Brianza under No. 01181770155, with fully paid-up share capital of Euro 70,692,590.28, member of the Fondo Iterbancario di Tutela dei Depositi and of the Fondo Nazionale di Garanzia, enrolled in the register of the banks held by the Bank of Italy under ABI code No. 3440/5 and parent company of the Banking Group Banco di Desio e della Brianza, enrolled in the register of Banking Groups under No. 3440/5.*"

## MERGER

On 7 May 2019, the Shareholders' Meetings of BPS and, on 9 May 2019, of the Issuer approved the plan for the merger by incorporation (the "**Merger**") of BPS into the Issuer.

The deed of merger was signed on 29 May 2019. The Merger is legally effective from 1 July 2019.

The new Articles of Association of the Issuer is available for inspections according to the provisions of Section "*General Information*", paragraph "*Documents available for inspection*", on page 266 of the Base Prospectus.

As a consequence of the Merger all references in the Base Prospectus to "Banco di Desio e Della Brianza S.p.A." will include BPS and entire section entitled "*BP Spoleto as Seller*" is deleted.

The Issuer informs that the Merger will have no significant impacts on the Issuer's consolidated income statement and capital ratios.

## RISK FACTOR

On page 30 of the Base Prospectus, under the paragraph headed "*Changes in regulatory framework*", the following paragraphs are added immediately after the twelfth sub-paragraph:

"*Furthermore, according to Article 104, para.1, let. (a), of the CRD IV, supervisory Authorities may impose to single banks to hold additional own funds in order to cover the specific risks they are exposed to (so called "Pillar 2 requirements"). The additional own funds requirements are calculated by the supervisory Authority using supervisory judgment supported by: (a) the ICAAP calculations; (b) the outcome of supervisory benchmark calculations; and (c) other relevant inputs, including those arising from interaction and dialogue with the institution.*

*In this regard, it should be highlighted that supervisors regularly assess and measure the risks for each bank. This core activity is called Supervisory Review and Evaluation Process ("SREP"). The SREP is aimed at ensuring that institutions have in place adequate arrangements, strategies, processes and mechanisms to maintain the amounts, types and distribution of internal capital commensurate to their risk profile, as well as robust governance and internal control arrangements. In particular, the key purpose of the SREP is to ensure that institutions have adequate arrangements as well as capital and liquidity to ensure sound management and coverage of the risks to which they are or might be exposed, including those revealed by stress testing, as well as risks the institution may pose to the financial system. If necessary, in the SREP decision, the supervisor may impose to the bank Pillar 2 requirements.*"

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On page 31 of the Base Prospectus, under the paragraph headed "*Changes in regulatory framework*", the fifteenth sub-paragraph is deleted and replaced as follows:

"*Following the results of the SREP performed by the Bank of Italy in 2018, the Issuer has been required to meet, on a consolidated basis, a minimum CET1 Ratio of 4.75 per cent., a minimum Tier 1 ratio of 6.35 per cent. and a minimum Total Capital Ratio of 8.50 per cent. to be applied starting from the next reporting date of own funds.*"

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On page 31 of the Base Prospectus, under the paragraph headed "*Changes in regulatory framework*", the sixteenth sub-paragraph is deleted.

## BANCO DESIO AS ISSUER AND SELLER

On page 180 of the Base Prospectus, under the paragraph headed "*Consolidated Financial Position of the Desio Group*", the first sub-paragraph is deleted and replaced as follows:

"*The table below reports the main performance and financial ratios of the Desio Group, calculated based on the unaudited interim Financial Statements approved by the Board of Directors on 9 May 2019, the consolidated Financial Statements for the years closed as at 31 December 2018 and 2017, which were approved by the Board of Directors, respectively, on 7 February 2019 and 8 February 2018 and subject to full audit by the Independent Auditors that issued their reports, respectively, on 5 March 2019 and 5 March 2018.*"

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On page 181 of the Base Prospectus, under the paragraph headed "*Accounting policies and reference accounting standards*", the second sub-paragraph is deleted and replaced as follows:

"*As concerns Accounting standard IFRS 16 (Leases) superseded IAS 17 (Leases) on 1st January 2019, the Group has conducted an analysis of the key new elements introduced by this accounting standard and proceeded with more detailed analysis on contracts stipulated in which the Group acts as lessor or lessee, i.e. on contracts that can be considered leases according to IFRS 16.*"

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On page 184 of the Base Prospectus, under the paragraph headed "*Consolidated balance sheet*", the line "*160. Share premium reserve*" is deleted and replaced as follows:

| | | | |
|---|---|---|---|
| 160. Share premium reserve | 16,145 | 16,145 | 16,145 |

* * * * *

On pages 185 and 186 of the Base Prospectus, under the paragraph headed "*Consolidated income statement*", lines 100., 110., 130., 200. and 310. under the first table are deleted and replaced as follows:

| | | | |
|---|---|---|---|
| 100. Gains (losses) on disposal or repurchase of: | 13,605 | (14,737) | 800 |
| *a) financial assets measured at amortised cost* | 1,663 | (23,998) | 10 |
| *b) financial assets designated at fair value through other comprehensive income* | 12,787 | 9,944 | 799 |
| *c) financial liabilities* | (845) | (683) | (9) |

| | | | |
|---|---|---|---|
| 110. Net result of other financial assets and liabilities designated at fair value through profit and loss | (8) | (3,072) | 1,420 |
| *a) financial assets and liabilities designated at fair value* | (8) | | |
| *b) other financial assets that have to be measured at fair value* | | (3,072) | 1,420 |
| 130. Net value adjustments/write-backs for credit risk relating to: | (88,722) | (62,494) | (8,224) |
| *a) financial assets measured at amortised cost* | (79,041) | (63,104) | (8,318) |
| *b) financial assets designated at fair value through other comprehensive income* | (9,681) | 610 | 94 |
| 200. Net provisions for risks and charges | | | |
| *a) commitments for guarantees given* | 2,632 | (1,435) | (923) |
| | *3,803* | *(417)* | *(815)* |
| *b) other net provisions* | *(1,171)* | *(1,018)* | *(108)* |
| **310. Profit (loss) from current operations after tax** | 44,959 | 36,558 | 12,574 |

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On page 187 of the Base Prospectus, under the paragraph headed "*A) Credit intermediation activities*", the last subparagraph is deleted and replaced as follows:

"*As at 31 March 2019, the Bank's consolidated loan portfolio, including loans to banks, came to Euro 9,851,098 thousands (Euro 9,902,014 thousands as at 31 December 2018), of which loans to customers accounted for Euro 9,632,952 thousands (equal to 97,8%) and loans to banks for Euro 218,146 thousands.*"

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On page 188 of the Base Prospectus, under the paragraph headed "*Funding from banks*", line "Saving deposits" under the first table is deleted and replaced with the following table:

*(Data in Euro/000)*

| | | | |
|---|---|---|---|
| **Saving deposits** | 3,415 | 0 | 2,593 |

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On page 190 of the Base Prospectus, under the paragraph headed "*Loans to banks*", line "*Current accounts and demand deposits*" under the first table is deleted and replaced with the following table:

*(Data in Euro/000)*

| | | | |
|---|---|---|---|
| **Current accounts and demand deposits** | *31,723* | 21,662 | 30,305 |

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On page 190 of the Base Prospectus, under the paragraph headed "*C) Indirect Funding*", the second subparagraph is deleted and replaced as follows:

"*As at 31 March 2019, the Issuer's consolidated indirect funding came to Euro 14,691,669 thousands, accounting for 57.9% of total funding and increasing by Euro 598,958 thousands (up by 4,3%) from Euro 14,092,711 thousands as at 31 December 2018 and from Euro 14,148,878 thousands as at 31 December 2017.*"

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On page 191 of the Base Prospectus, under the paragraph headed "*Principal markets*", the first subparagraph is deleted and replaced as follows:

"*As at 31 March 2019, the Desio Group was operating in the North of Italy and in the Central Italy.*"

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On page 192 of the Base Prospectus, under the paragraph headed "*Brief description of the Desio Group of which the Issuer is part and of the Issuer's position within the Desio Group*", the first subparagraph is deleted and replaced as follows:

"*As of the date of the Base Prospectus, the Desio Group is comprised of the following companies:*

- *Parent Company:*

  *Banco di Desio e della Brianza S.p.A.*

- *Companies belonging to the Group:*

  *Fides S.p.A.*

  *Desio OBG S.r.l.*"

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On page 192 of the Base Prospectus, under the paragraph headed "*Brief description of the Desio Group of which the Issuer is the Parent Company*", the group structure diagram is deleted and replaced as follows:

Brianza Unione di Luigi Gavazzi e Stefano Lado S.A.p.A.

50.441%


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On page 196 of the Base Prospectus, the paragraph headed "*Entities controlling the Issuer*" is deleted and replaced as follows:

"*As at the date of approval of the Base Prospectus, the Issuer was controlled by Brianza Unione di Luigi Gavazzi e Stefano Lado S.A.p.A. (which holds 52,92% of the Issuer's share voting capital). The other qualifying shareholders of the Issuer (within the meaning of the notion of qualifying shareholders set forth under art. 120 of Italian Legislative Decree no. 58 of February 24, 1998 (the "Italian Financial Law") were Avocetta SpA (8.196%) and Vega Finanziaria SpA (5.610%).*"

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On page 198 of the Base Prospectus, under the paragraph headed "*Legal and arbitration proceedings*", the first and second sub-paragraphs are deleted and replaced as follows:

"*As at 31 March 2019, Issuer's (consolidated) petitum provision for liabilities and contingencies totalled Euro 88,976 thousands, decreasing from the provision of Euro 94,358 thousands recognized in the financial statements as at 31 December 2018 (Euro 97,078 thousands for 2017). In setting up this provision, the Issuer considered: (i) potential liabilities associated to single proceedings and (ii) the reference accounting standards, which establish that provisions for liabilities shall be made when probable and quantifiable.*

*Net provisions for liabilities and contingencies (including provisions for legal and tax disputes) totalled Euro 10,913 thousands in 2018, down by Euro 13,320 thousands on the previous year. In the first quarter of 2019 net provisions for liabilities and contingencies totalled Euro 10,478 thousands. The Issuer does not deem these proceedings significant, when taken singularly.*"

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On page 199 of the Base Prospectus, the paragraphs headed "*Merger of Banca Popolare di Spoleto*" is deleted and replaced as follows:

"*On 7 May 2019, the Shareholders' Meetings of Banca Popolare di Spoleto S.p.A. ("Banca Popolare di Spoleto" or "BPS") and, on 9 May 2019, of the Issuer approved the plan for the merger by incorporation (the "Merger") of BPS into the Issuer. As a result of the Merger, the current shareholders of BPS have been assigned 1 ordinary share of Banco Desio for every 5 ordinary shares of Banca Popolare di Spoleto. As a consequence of the exchange of such shares, Banco Desio's share capital has been increased of Euro 2,987,550.28 for a total amount equal to Euro 70,692,590.28, through the issue of 5,745,289 ordinary shares with regular dividend rights, with nominal value of Euro 0.52.*

*The deed of merger was signed on 29 May 2019. The Merger is legally effective from 1st July 2019.*"

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On page 199 of the Base Prospectus, under the paragraph headed "*Group's 2018-2020 Business Plan*", the first sub-paragraph is deleted and replaced as follows:

"*On December 2018, the sale of a portfolio of non-performing loans (mainly unsecured) with a total GBV of Euro 88 million was completed. The transaction was carried out in the context of the ordinary activity of management of non-performing exposures carried out by the Issuer.*"

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On page 199 of the Base Prospectus, under the paragraph headed "*Group's 2018-2020 Business Plan*", the fourth sub-paragraph is deleted and replaced as follows:

"*In execution of its capital management strategy and in accordance with the provisions of the Group's 2018-2020 Business Plan regarding the reduction of the ratio of "Gross non-performing loans/Gross loans" and "Net non-performing loans/Net loans", the Board of Directors of Banco di Desio e della Brianza approved a plan for the sale of NPLs for a gross value of Euro 1.1 billion, which includes a securitisation transaction making use of the Italian Government guarantee on the securitisation of doubtful loans on senior securities pursuant to Decree Law 18/2016 ("***GACS***") aimed at deconsolidating Banco Desio Group loans for a gross value of Euro 1.0 billion (the "Transaction"). The reference portfolio of the Transaction is made up of mortgage or unsecured loans issued by Banco di Desio e della Brianza in favour of "secured" customers, i.e. with relationships secured by mortgages (60%), and "unsecured" customers, i.e. with relationships without collateral (40%).*"

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The language of this Supplement is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them.

Copies of the Base Prospectus and this Supplement may be obtained from the registered office of the Issuer and on the Issuer's website (*http://www.bancodesio.it*). The contents of the Issuer's website do not form part of this Supplement.

To the extent that there is any inconsistency between (a) any statement in this Supplement or any statement incorporated by reference into the Base Prospectus by this Supplement and (b) any other statement in, or incorporated by reference into, the Base Prospectus, the statements in (a) above will prevail.

Save as disclosed in this Supplement, there has been no other significant new factor, material mistake or inaccuracy relating to information included in the Base Prospectus since the publication of the Base Prospectus.