

PRESS RELEASE

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

CONSOLIDATED INTERIM FINANCIAL REPORT AT 30 JUNE 2017

- ✓ **NET RESULT CONSOLIDATED** (pertaining to the Parent Company) Euro 18.2 million (Euro 22.3 million at 30 June 2016), influenced by non-recurring items
- ✓ **PROFIT FROM OPERATIONS AFTER TAX STRONG GROWING** (+24.4%) up to Euro 22.7 million ⁽¹⁾ (formerly Euro 18.3 million) which benefits from the reduction in operating costs of Euro 2.2 million and lower cost of credit down to Euro 30.1 million (formerly Euro 42.6 million), maintaining a high level of coverage of non-performing loans:
Coverage ratio of doubtful loans at 57.1% ⁽²⁾ and gross of write-offs at 61.5% ⁽²⁾ (formerly 56.3% and 60.9% at 31 December 2016)
Coverage ratio of total non-performing loans at 47.1% ⁽²⁾ and gross of write-offs at 50.8% ⁽²⁾ (formerly 46.2% and 50.0%)
Coverage of performing loans, 0.50% (comparative 0.54%)
- ✓ **NON-PERFORMING LOANS ASSIGNED (MAINLY MORTGAGES)** for around Euro 40.3 million for an amount of Euro 18.3 million, with no negative impact on the result for the period, in line with management's NPL strategy already announced by the Group that in December 2016 assigned unsecured NPLs for Euro 166.8 million. Further disposals are planned by the end of 2017.
- ✓ **HIGH AND STABLE CAPITAL ADEQUACY, WITH WIDE MARGIN COMPARED WITH THE MINIMUM REQUIREMENTS OF CET1**

Capital ratios	Reported at 30 June 2017			SREP ⁽³⁾ from instructions dated 4 April 2017 [B]	SREP Buffer [A] – [B]
	Banco Desio Brianza	Banca Popolare di Spoleto	Banco Desio Group [A]		
CET 1	16.52%	9.49%	11.06%	6.00%	+ 5.06%
TIER 1	16.59%	9.49%	11.19%	7.60%	+ 3.59%
Total Capital Ratio	19.71%	10.29%	13.38%	9.75%	+ 3.63%

⁽¹⁾ The achievement of the net increase in lending *benchmark*, for which Banco Desio Group has a commitment with the Eurosystem as part of the “TLTRO II” operation, would give rise to the right to earn negative interest expenses at a rate of 0.40%. To date, no benefit has been recognised, though Banco Desio Group has implemented lending policies aimed at the achievement of the established *benchmark*.

⁽²⁾ Considering the gross value and the write-downs of non-performing loans of Banca Popolare di Spoleto S.p.A. without taking into account the changes needed to represent the acquisition value.

⁽³⁾ Based on the instructions of the Bank of Italy, notified to the Parent Company on 4 April 2017, relating to the minimum capital requirements to be met at consolidated level following completion of the Supervisory Review and Evaluation Process (SREP): *CET1* of 6%, binding - pursuant to art. 67-ter TUB - for 4.8% (minimum regulatory requirement of 4.5% and additional requirements of 0.3%) with the difference represented by the capital conservation buffer, Tier1 ratio of 7.6%, binding - pursuant to art. 67-ter TUB - for 6.4% (minimum regulatory requirement of 6.0% and additional requirements of 0.4%) with the difference represented by the capital conservation buffer, and Total Capital Ratio of 9.75%, 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.

Shareholders' equity of Euro 874.3 million (Euro 868.1 million at 31 December 2016)
Own funds of Euro 1,077.7 million ⁽⁴⁾ (CET1 + AT1 Euro 901.3 million + T2 Euro 176.4 million)
(comparative Euro 1,085.0 million)

- ✓ **INCREASE IN LOANS TO ORDINARY CUSTOMERS: Euro 9.8 billion compared with a stock of Euro 9.5 billion at the end of the previous year (+2.7%)**
“Gross non-performing loans/Gross loans” ratio of 10.34% (comparative 10.45%)
“Net non-performing loans/Net loans” ratio of 4.80% (comparative 4.95%)
- ✓ **TOTAL ORDINARY CUSTOMER FUNDING GROWING up to Euro 18.9 billion (Euro 18.5 billion at 31 December 2016), of which DIRECT FUNDING Euro 10.1 billion (-0.4%), with a ratio of ordinary customer loans to Direct deposits of 96.8% (comparative 93.8%) and INDIRECT FUNDING of Euro 8.8 billion (formerly Euro 8.4 billion) (+4.4%)**
- ✓ **COVERED BOND PROGRAMME PROCEEDS**

The Board of Directors of Banco di Desio e della Brianza S.p.A., met on 3 August 2017 and approved the *Consolidated interim financial statements at 30 June 2017*, prepared pursuant to art. 154-ter of D.Lgs. 58/1998 (CFA), implementing D.Lgs. 195 of 6 November 2007 (the so-called “Transparency Directive”) and drawn up in compliance with applicable international accounting standards recognised in the European Community in accordance with EU Regulation 1606 of 19 July 2002, especially IAS 34 - *Interim financial statements*, and Bank of Italy Circular 262 of 22 December 2005 and subsequent updates.

Consolidated balance sheet

Total customer funds under management at 30 June 2017 reached Euro 24.0 billion, representing an increase of around Euro 0.4 billion with respect to the 2016 year end balance (1.6%), mainly attributable to indirect deposits (+3.1%) partly offset by the slight decrease in direct one (-0.4%).

Direct funding at the end of the first half-year period amounted to Euro 10.1 billion and the decrease of Euro 0.4 billion is due to the reduction in the balance of debt securities in issue of Euro 0.2 billion (-16.9%), partly offset by the rise in amounts due to customers of Euro 0.2 billion (+2.2%).

At 30 June 2017 *indirect funding* posted an increase of 3.1% compared with the end of the previous year, rising to Euro 13.9 billion. In particular, this trend is attributable to funding from ordinary customers, up by about Euro 0.4 billion (+4.4%), due to the performance of assets under management (+8.7%), as partially offset by a decrease in assets under administration (-1.9%). Indirect funding recorded an increase of 0.9% coming in at Euro 5.1 billion.

Loans to customers at 30 June 2017 total 9.8 billion euro (up 0.6% since the end of 2016), almost entirely related to ordinary customers (+2.7%).

⁽⁴⁾ After a pay-out of 40%.

At 30 June 2017, the Group's total *financial assets* amounted to some Euro 2.8 billion, with an increase of some Euro 0.9 billion compared with the end of 2016 (+48.6%). The Held to Maturity Portfolio, which amounted to Euro 0.8 billion at 30 June 2017, was reinstated during the first half and consists of government securities and bonds diversified by issuer, geographical area and type of interest rate, with a maximum maturity of 5 years.

The Group's *net interbank borrowing* amounted to Euro 1.5 billion, compared with Euro 0.8 billion at the end of the previous year. The change reflects the allocation during the period to Banco Desio Group of additional Euro 800 million of long-term liquidity by the ECB as part of "TLTRO II".

Shareholders' equity pertaining to the Parent Company at 30 June 2017, including net profit for the period, amounts to Euro 874.3 million, compared with Euro 868.1 million at the end of 2016.

Shareholders' equity calculated in accordance with the Bank of Italy's regulatory provisions, defined as *Own Funds*, after a *pay-out* of 40%, amounts at 30 June 2017 to Euro 1,077.7 million (CET1 + AT1 of Euro 901.3 million + T2 of Euro 176.4 million), a decrease of Euro 7.3 million on the figure at the end of the previous year of Euro 1,085.0 million, mainly due to the reduction in the amount attributable to own funds of subordinated loans due to the amortisation, as partly offset by the profit for the period included in the calculation of CET1.

At 30 June 2017, the *Common Equity Tier 1 ratio* (CET1/Risk-weighted assets) was 11.1% (10.9% at 31 December 2016). The *Tier 1 ratio* (T1/Risk-weighted assets) was 11.2% (11% at 31 December 2016), while the *Total capital ratio* (total Own Funds/Risk-weighted assets) was 13.4% (13.5% at 31 December 2016).

At the end of the *Supervisory Review and Evaluation Process* (SREP), the Bank of Italy communicated to the Parent Company on 4 April 2017 the minimum levels for the consolidated capital ratios and that for the Banco Desio Group coincided, including the capital conservation buffer, with the following capital ratios: 6% *Common Equity Tier1 ratio*, 7.6% *Tier1 ratio* and 9.75% *Total Capital ratio*.

As a result, at 30 June 2017 the Group again had capital ratios well above the established minimum requirements, confirming its high capital viability.

Consolidated income statement

The *net profit attributable to the Parent Company* for the period ended 30 June 2017 was about 18.2 million euro (18.5% less than the Euro 22.3 million reported for the comparative period, which benefited from *non-recurring income after tax effect* of about Euro 4.7 million); at the end of the first half-year, *non-recurring expense net of taxes* amounted to Euro 4.1 million and the additional tax charge on the results for the period was Euro 6.3 million, as partly offset by a reduction in the *cost of credit* to Euro 30.1 million (comparative Euro 42.6 million).

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

Operating income

Core revenues decreased by about Euro 1.7 million with respect to the comparative period (-0.8%), amounting to Euro 209.4 million. The trend is mainly attributable to net interest income, in view of the difficult economic and financial environment that constricts revenues from interests due to monetary policies, which show reductions of Euro 4.7 million (-3.9%). A similar trend also characterises *net gains (losses) on financial assets and liabilities designated at fair value* equal to Euro 6.0 million (compared with Euro 6.5 million) and *other operating income/expense* which show a reduction of Euro 1.0 million. Net commission income, on the other hand, rise by 5.1 million euro (+6.8%). Lastly, dividends come in at Euro 0.6 million.

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 139.5 million and decreased, with respect to the comparative period, by Euro 2.2 million (-1.5%).

In particular, other administrative expenses decreased by 2.6 million euro (-5.5%). It should be noted that the balance of Other administrative expense includes Euro 3.5 million of the ex-ante gross ordinary contributions to the resolution fund ("Contribution SRM - Single Resolution Mechanism") versus Euro 3.8 million in the comparative period.

Payroll costs were in line with the comparative period (+0.5%) and net adjustments to property, plant and equipment and intangible assets totalled about Euro 6.1 million (-1.5%).

Results of operations

The results of operations at 30 June 2017 therefore amounted to Euro 69.9 million, up by Euro 0.5 million compared with the comparative period (0.7%).

Net profit (loss) from operations after tax

The result of operations of Euro 69.9 million leads to a net profit (loss) from operations after tax of Euro 22.7 million, 24.4% up compared with Euro 18.3 million in the comparative period, considering:

- reduction in the *cost of credit (net impairment adjustments to loans and advances plus gains (losses) on disposal or repurchase of loans)* to about Euro 30.1 million, compared with about Euro 42.6 million in the same period of the previous year due to the slowdown in the deterioration of loans, despite maintaining high levels of coverage;
- *impairment adjustments to financial assets available for sale* of Euro 3.1 million (comparative Euro 0.1 million);
- *net provisions for risks and charges* of Euro 2.3 million, with respect to Euro 3.3 million in the comparative period;
- *income taxes on current operations* of Euro 11.7 million (comparative Euro 5.3 million).

The balance of the *net impairment adjustments to financial assets available for sale* is stated net of:

- the impairment of Euro 3.6 million of Fondo Atlante during the period, following the write-off of the bank investments held by it, which further reduces the amount of the net asset value with respect to adjustments already recognised at the end of last year;
- the impairment of Euro 1.8 million of a banking minority investment held as a result of a previously undertaken commitment following the sale of an assurance equity investment. This impairment further decreased the value of this investment compared to the loss recognised at the purchase date in order to show the less fair value than the payment (this loss is balanced in the income statement of the first half-year of 2017 by the provisions set up in previous years).

The total impact of both operations on the result for the period has been reclassified to *Non-recurring profit (loss) after tax*.

In particular the taxation for the previous period had a benefit for Euro 1.4 million from the step-up for tax purposes (pursuant to art. 15, paragraph 10, of D.L. 185/2008) of the goodwill recorded by Banca Popolare di Spoleto in the balance sheet for the contribution by the Parent Company of the business unit made up of former branches of Banco Desio Toscana and Banco Desio Lazio.

Non-recurring profit (loss) after tax

At 30 June 2017 there was a *non-recurring loss after tax* of Euro 4.1 million. This mainly consists of impairment adjustments (net of the use of provisions) recognised:

- of Euro 1.8 million with respect to a non-controlling interest in a bank acquired in the period under a previous commitment assumed, and
- of Euro 3.6 million with respect to Fondo Atlante following the complete write-off of the carrying amount of equity investments in banks held by the fund,

net of the related tax effect (negative amount of Euro 1.3 million).

The non-recurring profit in the comparative period of Euro 4.7 million is essentially attributable to *Profit from investments and disposal of investments* of a Euro 4.8 million, which includes:

- a net gain of Euro 4.1 million on derecognition by the Parent Company of the investment in CPC in liquidation, with the simultaneous recognition of the amount due from the liquidators for the residual equity of that company, as well as the reversal of the provision for future costs recorded in the prior year of Euro 1.1 million and
- a net negative impact of approximately Euro 0.4 million related to the disposal of the Parent Company's investment in Istifid Spa,



net of the negative tax effect of Euro 0.1 million.

Profit for the period pertaining to the Parent Company

The total of the *profit from operations after tax* and the *non-recurring profit after tax*, as well as the result attributable to minority interests, leads to a *net profit for the Parent Company* at 30 June 2017 of Euro 18.2 million.

The *Group's distribution network* at 30 June 2017 consists of 268 branches (271 branches at the end of the previous year) of which 146 of the Parent Company Banco di Desio e della Brianza S.p.A. and 122 of Banca Popolare di Spoleto S.p.A.

At 30 June 2017, the Group had 2,349 *employees*, a decrease of 7 people (-0.3%) compared with the end of the previous period.

Covered Bond Programme (OBG)

In connection with the structuring and implementation of the covered bonds issue programme approved by the Board of Directors pursuant to art. 7-bis of Law 130/99 (the "Programme"), on 29 June 2017, the Parent Company completed the acquisition of a 60% equity interest in the SPV "Desio OBG S.r.l.", which had been set up ad hoc and which was included in Banco Desio Group as of the same date.

The Programme, which was aimed at obtaining benefits in terms of funding (diversification of deposits, reduction of the cost thereof and lengthening of the maturity of sources of funding), is multi-seller in nature with the consequence that, in addition to the Parent Company, Banco di Desio e della Brianza, it is also envisaged that the subsidiary Banca Popolare di Spoleto will assume a role as seller and lender to the SPV. The Parent Company may thus issue covered bonds for a total amount that does not exceed, from time to time, Euro 3 billion. The above maximum amount may be increased as envisaged by the Programme.

Subsequent to 30 June 2017, the two banks entered into agreements relating to the sale to the SPV of residential mortgage loans originated by the former. On 21 July, Banco di Desio e della Brianza obtained approval for the Programme's "Base Prospectus".

As is customary for transactions of this nature, the agreements entered into under the Programme are subject to a termination clause whereby, if the Programme does not commence (by means of the issue of OBGs) within the prescribed time limits, the agreements shall be definitively deemed ineffective.

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, 3 August 2017

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

Financial Reporting Manager

Mauro Walter Colombo

The consolidated balance sheet and consolidated reclassified income statement at 30 June 2017 are attached below.



The consolidated interim financial statements at 30 June 2017 are subject to a limited audit by Deloitte & Touche S.p.A., which is currently being completed.

Desio, 3 August 2017

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CONSOLIDATED BALANCE SHEET

Assets				Change	
<i>Amounts in thousands of Euro</i>		30.06.2017	31.12.2016	Amount	%
10	Cash and cash equivalents	41.567	50.472	-8.905	-17,6%
20	Financial assets held for trading	37.533	20.053	17.480	87,2%
40	Financial assets available for sale	1.981.985	1.848.164	133.821	7,2%
50	Financial assets held to maturity	759.571		759.571	
60	Due from banks	211.303	112.838	98.465	87,3%
70	Loans to customers	9.777.396	9.720.108	57.288	0,6%
80	Hedging derivatives	140	2.591	-2.451	-94,6%
90	Adjustment to financial assets with generic hedge (+/-)	925	1.543	-618	-40,1%
120	Property, plant and equipment	180.131	181.201	-1.070	-0,6%
130	Intangible assets	17.150	17.843	-693	-3,9%
	<i>of which: goodwill</i>	<i>15.322</i>	<i>15.322</i>		
140	Tax assets	224.752	233.410	-8.658	-3,7%
	<i>a) current</i>	<i>35.406</i>	<i>36.408</i>	<i>-1.002</i>	<i>-2,8%</i>
	<i>b) deferred</i>	<i>189.346</i>	<i>197.002</i>	<i>-7.656</i>	<i>-3,9%</i>
	<i>different from Law 214/2011</i>	<i>31.414</i>	<i>32.168</i>	<i>-754</i>	<i>-2,3%</i>
	<i>of which Law 214/2011</i>	<i>157.932</i>	<i>164.834</i>	<i>-6.902</i>	<i>-4,2%</i>
160	Other Asset	209.029	177.680	31.349	17,6%
Total assets		13.441.482	12.365.903	1.075.579	8,7%

Liabilities and shareholders' equity				Change	
<i>Amounts in thousands of Euro</i>		30.06.2017	31.12.2016	Amount	%
10	Due to banks	1.743.487	962.245	781.242	81,2%
20	Due to customers	8.922.376	8.729.591	192.785	2,2%
30	Debt securities in issue	1.172.078	1.393.884	-221.806	-15,9%
40	Financial liabilities held for trading	6.601	6.230	371	6,0%
50	Financial liabilities designated at fair value through profit and loss		15.908	-15.908	-100,0%
60	Hedging derivatives	5.001	6.637	-1.636	-24,6%
80	Tax liabilities	28.119	27.367	752	2,7%
	<i>a) current</i>	<i>2.064</i>	<i>718</i>	<i>1.346</i>	<i>187,5%</i>
	<i>b) deferred</i>	<i>26.055</i>	<i>26.649</i>	<i>-594</i>	<i>-2,2%</i>
100	Other liabilities	558.398	220.054	338.344	153,8%
110	Provision for termination indemnities	29.327	30.204	-877	-2,9%
120	Provisions for risks and charges:	51.126	55.282	-4.156	-7,5%
	<i>b) other provisions</i>	<i>51.126</i>	<i>55.282</i>	<i>-4.156</i>	<i>-7,5%</i>
140	Valuation reserves	11.063	11.755	-692	-5,9%
170	Reserves	761.201	746.964	14.237	1,9%
180	Share premium reserve	16.145	16.145		
190	Share capital	67.705	67.705		
210	Minority interests	50.698	50.381	317	0,6%
220	Net profit (loss) for the period (+/-)	18.157	25.551	-7.394	-28,9%
Total liabilities and shareholders' equity		13.441.482	12.365.903	1.075.579	8,7%

CONSOLIDATED RECLASSIFIED INCOME STATEMENT

RECLASSIFIED INCOME STATEMENT AT 30.06.2017

Captions <i>Amounts in thousands of Euro</i>		30.06.2017	30.06.2016	Change	
				Amount	%
10+20	Net interest income	115.076	119.806	-4.730	-3,9%
70	Dividends and similar income	610	974	-364	-37,4%
	Profit (loss) from equity investments in associates	0	287	-287	-100,0%
40+50	Net commission income	80.020	74.895	5.125	6,8%
80+90+100+110	Net results on financial assets and liabilities	6.002	6.465	-463	-7,2%
220	Other operating income/expense	7.685	8.657	-972	-11,2%
	Operating income	209.393	211.084	-1.691	-0,8%
180 a	Payroll costs	-89.373	-88.897	-476	0,5%
180 b	Other administrative costs	-44.010	-46.583	2.573	-5,5%
200+210	Net adjustments to property, plant and equipment and intangible assets	-6.086	-6.180	94	-1,5%
	Operating costs	-139.469	-141.660	2.191	-1,5%
	Result of operations	69.924	69.424	500	0,7%
130a+100a	Cost of credit	-30.103	-42.550	12.447	-29,3%
130 b	Net impairment adjustments to financial assets available for sale	-3.057	-142	-2.915	n.s.
130 d	Net impairment adjustments to other financial assets	-24	209	-233	n.s.
190	Net provisions for risks and charges	-2.330	-3.326	996	-29,9%
	Profit (loss) from operations before tax	34.410	23.615	10.795	45,7%
290	Income taxes on current operations	-11.676	-5.334	-6.342	118,9%
	Profit (loss) from operations after tax	22.734	18.281	4.453	24,4%
240+270	Profit (loss) from investments and disposal of investments	41	4.817	-4.776	-99,1%
	Non-recurring provisions for risks and charges, other provisions and expenses / special dividends from AFS securities	-5.427	1	-5.428	n.s.
	Non-recurring profit (loss) before tax	-5.386	4.818	-10.204	n.s.
	Income taxes from non-recurring items	1.283	-140	1.423	n.s.
	Non-recurring profit (loss) after tax	-4.103	4.678	-8.781	n.s.
320	Net profit (loss) for the period	18.631	22.959	-4.328	-18,9%
330	Minority interests	-474	-670	196	-29,3%
340	Parent Company net profit (loss)	18.157	22.289	-4.132	-18,5%