

DIRECTORS' REPORT ON OPERATIONS

1. Business

The Company was established on 27 February 2017 pursuant to Law no. 130 of 30 April 1999, which regulates securitisation transactions in Italy.

The Company's exclusive corporate purpose is:

to purchase for a consideration from banks, in the context of one or more issues (i.e. both individual issues and issue programmes) of guaranteed bank bonds ("covered bonds") carried out pursuant to art. 7-bis of Law no. 130 of 30 April 1999, subsequent amendments and additions and related implementing provisions:

- (i) land loans and mortgage loans, also *en bloc*;
 - (ii) receivables from public administrations or guaranteed by them and securities issued or guaranteed at the same terms, also *en bloc*;
 - (iii) securities issued as part of securitisations involving the same type of receivables;
 - (iv) other eligible assets or additional eligible assets that are permitted by the regulations mentioned above;
- through the assumption of loans granted or guaranteed also by the assignor banks, as well as guaranteeing the bonds issued by these or other banks.

In accordance with the Articles of Association and the provisions of the law mentioned previously, the Company will carry out the activities indicated above according to the terms, methods and conditions established by the law applicable to issues of covered bonds pursuant to art. 7-bis of Law 130/99.

In accordance with the said law and art. 1180 of the Italian Civil Code, the loans, receivables and securities purchased by the Company and the sums paid by the related debtors are intended to satisfy the rights of the holders of the covered bonds referred to in paragraph 1 of the art. 7-bis of Law 130/99 and issued in the context of the issuing transactions in which the Company participates and for which the Company has provided a guarantee, of the counterparties of derivative contracts for the purpose of hedging the risks inherent in the loans, receivables and securities purchased and other ancillary contracts, as well as payment of the other transaction costs, as a priority with respect to the repayment of the loans granted or guaranteed also by the assigning banks pursuant to paragraph 1 of art. 7-bis of Law 130/99.

The loans, receivables and securities purchased by the Company as part of each transaction or issue programme constitute assets (known as the "cover pool") that are to all effects separate from those of the Company and from those relating to other transactions or issue programmes; no legal action against these assets is permitted by creditors other than the bearers of the covered bonds issued and the additional creditors referred to in the previous paragraph.

To the extent permitted by Law 130/99, the Company can also carry out ancillary transactions to be stipulated for the provision of guarantees and for the successful completion of the covered bond issue transactions in which it participates or which are in any case instrumental to the achievement of its own corporate purpose. Moreover, in cases where this is permitted by law and in the manner and within the limits provided therein, the Company can reinvest in other financial assets the funds derived from managing the loans, receivables and securities purchased according to these Articles of Association and not immediately used to meet the rights of holders of the covered bonds and to pay transaction costs.

As part of the covered bond issue transactions in which it participates, in accordance with Law 130/99, the Company can appoint third parties to collect the loans and receivables purchased and to provide the cashier and payment services needed for their management and to carry out any other activity permitted by art. 7-bis of Law 130/1999.

The Company can carry on its business both in Italy and abroad.

According to Legislative Decree no. 141 of August 2010, as amended by Legislative Decree no. 218 of December 2010, "the provisions foreseen for financial intermediaries under Title V of Legislative Decree no. 385 of 1 September 1993 apply to assignees pursuant to art. 7-bis, within the limits established by the Minister for the Economy and Finance with a regulation issued pursuant to art. 17, paragraph 3, of Law no. 400 of 23 August 1988, having consulted the Bank of Italy".

According to the supervisory provisions, issuing covered bonds is an instrument reserved only to those banks *"with high capitalisation considering the specific characteristics of the covered bond market and the need to protect creditors other than the covered bond bearers, whose capital guarantee is mitigated by the effect of the sale of high quality bank assets"*.

As part of this purpose, since 2017 the Company has participated in a programme for the issue of covered bonds of the Banco di Desio e della Brianza Group, (i) by purchasing without recourse, pursuant to articles 4 and 7-bis of Law no. 130/99 of 5 July 2017, a portfolio of performing residential mortgage loans *en bloc*, deriving from loan agreements entered into with individuals as part of their commercial activity originated by Banco di Desio e della Brianza S.p.A. and Banca Popolare di Spoleto S.p.A., and (ii) by the transferring banks simultaneously obtaining a subordinated loan and the signing, among other things, of the contract by which the assets purchased are used as an irrevocable guarantee for the bank bonds.

The financial statements at 31 December 2018 end up in a break-even situation as a result of recharging the net operating costs for the year to the cover pool.

2. Market trends in 2018

In the latter months of the year, the world economy continued to grow, but there were signs of cyclical deterioration in many advanced and emerging economies; world trade prospects continue to worsen, following the slowdown in the first part of last year. Uncertainties about the economic situation have had repercussions on international financial markets, with a decline in long-term yields and falling share prices. The risks relating to a negative outcome of the trade negotiations between the United States and China are weighing on the global outlook, as are the possible exacerbation of financial tensions in emerging countries and doubts about how Brexit will take place.

Growth in the Euro-zone has weakened; in November, industrial output decreased significantly in Germany, France and Italy. Although inflation remained positive, it fell because of the slowdown in energy prices.

In Italy, after growth was interrupted in the third quarter, the cyclical indicators that are available suggest that activity could be down again in the fourth. The reduction in domestic demand contributed to the weakening of the summer months, above all capital investment and, to a lesser extent, household spending.

The trend in Italian exports was still favourable in the second half of the year; however, the slowdown in global trade affected companies' forward-looking assessments of foreign orders. The current account balance is still quite positive; the country's net debt position towards foreign countries, which fell to just over 3 percent of GDP at the end of September, continues to improve.

The risk premiums on sovereign bonds fell once agreement was reached between the Italian Government and the European Commission on Italy's budget plans; the spread between Italian and German government bond yields in mid-January was around 260 basis points, 65 less than the highs in November. However, overall, financial market conditions are still tighter than they were before the summer.

Banking shares have fallen by an average of 14% since the end of September, reflecting a deterioration in growth prospects, as in the Euro-zone as a whole. However, since the end of last year, risk premiums on bonds in the banking sector have been reduced thanks to the easing of tensions on sovereign bonds.

Credit conditions generally are still fairly loose; interest rates on loans are only slightly higher than in May, before the emergence of tensions on the government bond market. Looking ahead, however, persistently high sovereign yields and the cost of bank deposits is likely to continue pushing up the cost of credit.

The proportion of non-performing loans to total loans continued to fall, reaching 4.5% in the third quarter, net of adjustments, 1.8 points less than a year earlier. The inflow of new non-performing loans as a proportion of total loans also remains low (1.7% in the quarter, adjusting for seasonal and year-on-year factors).

The budget increases the deficit for the years 2019-2021 with respect to its trend value; according to official estimates, the current year's net borrowing requirement should come to 2.0% of GDP, interrupting the decline that has been underway since 2014. In view of the changes made to the budget, which in the version initially presented was consistent with a target deficit for 2019 of 2.4% of GDP, the European Commission decided not to take proceedings against Italy for excessive deficit, at least not at this stage.

The central projection of GDP growth is 0.6% this year, 0.4 points less than previously estimated. The following elements contributed to this revision: more unfavourable data on economic activity observed in the latter part of 2018, which reduced this year's average growth by 0.2 points; the downsizing of companies' investment plans as reflected in the latest surveys; the prospects for a slowdown in world trade. The effects on growth of the agreement reached by the Government with the European Commission are slightly positive: the favourable impact of the reduction in long-term interest rates largely offset the corrective measures implemented in the budget.

In addition to the global uncertainty factors already mentioned, downside risks to growth are linked to the possibility of a new rise in sovereign yields, a more rapid deterioration in private sector financing conditions and a further slowdown in companies' willingness to invest. A more accentuated return of tensions on government bond yields, on the other hand, could favour higher growth rates.

3. Significant events during the year

No significant events involving the Company took place during the year.

As regards the cover pool, the covered bond transaction currently outstanding went ahead regularly.

With reference to the segregated assets, it should be noted that, on 7 November 2018, with economic effects from 7 November 2018, Banco Di Desio and Della Brianza S.p.A. sold a new portfolio for a total consideration of Euro 165,070,907.58 and on 13 November 2018 made available to the Company a new Subordinated Loan for a principal amount equal to the purchase price of the new portfolio.

It should also be noted that on 7 November 2018, with economic effects from 7 November 2018, Banca Popolare Di Spoleto S.p.A. sold a new portfolio for a total consideration of Euro 248,563,122.49 and on 13 November 2018 made available to the Company a new Subordinated Loan for a principal amount equal to the purchase price of the new portfolio.

As regards the payments related to the subordinated loans, during the year just ended, the Company paid the accrued interest in accordance with the order of priority set by the Guarantor Calculation Agent in accordance with the Programme's contractual documentation and in compliance with the Tests.

Note that the Company has joined the BANCO DESIO VAT GROUP from 01.01.2019.

4. Information on the Company's situation, performance and results

As regards the Company's assets, given the Company's type of activity, we do not think that there is any other information that needs to be provided in addition to what is already explained in the Notes.

As far as performance indicators are concerned, we do not think that they are significant with reference to the Company's assets, while as regards the performance of the cover pool, reference should be made to Attachment 1 of the Notes.

5. Significant subsequent events

No significant events occurred after the closing of the financial year.

6. Outlook for the year

Management will be geared to continuing the current operation on a regular basis.

7. Business continuity

During the preparation of the financial statements, an assessment was made of the Company's ability to operate as a going concern with a time horizon of at least twelve months from the balance sheet date. To express this assessment, we took into account all available information and the specific business activity performed by the Company, whose exclusive purpose is to carry out one or more securitisations in accordance with Law no. 130 of 30 April 1999.

Consequently, these financial statements have been prepared on a going-concern basis, i.e. with a view to continuing operations, as there are no events or conditions that raise doubts about the Company's ability to continue operating as a going concern.

8. Other information

A) Own shares/quotas

The Company does not own any of its own quotas nor shares in its parent company, whether directly or through trust companies.

B) Research and development activities

Given the particular nature of the Company, no specific research and development activities have been carried out.

C) Related party transactions

No related party transactions involving the Company's assets were carried out during the year.

With reference to the covered bond operation, please refer to paragraph L.2 of Attachment 1 of the Notes, where there is a complete list of the entities involved.

D) Management and Coordination Activities

DESIO OBG SRL

COMPANY SUBJECT TO MANAGEMENT AND COORDINATION AS PER ART. 2497 AND SEQ. OF THE ITALIAN CIVIL CODE: BANCO DI DESIO E DELLA BRIANZA S.P.A.

DIRECTORS' REPORT ON OPERATIONS ACCOMPANYING THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018

Page 5

The Company is subject to management and coordination by Banco di Desio e della Brianza S.p.A. pursuant to art. 2497-bis of the Italian Civil Code.

The consolidated figures of Banco di Desio e della Brianza S.p.A. at 31 December 2017 expressed in thousands of euros are shown below:

CONSOLIDATED BALANCE SHEET	
ASSETS	31/12/2017
10. Cash and cash equivalents	59.413
20. Financial assets available for trading	20.981
40. Financial assets available for sale	1.511.467
50. Financial assets held to maturity	748.696
60. Due from banks	1.218.060
70. Loans to customers	9.861.862
80. Hedging derivatives	5
90. Adjustment to financial assets with generic hedge (+/-)	875
120. Property, plant and equipment	180.566
130. Intangible Assets	17.946
of which:	
- goodwill	15.322
140. Tax assets	212.527
a) current	35.097
b) deferred	177.430
- of which Law 214/2011	151.027
160. Other Assets	163.424
Total assets	13.995.822
LIABILITIES	31/12/2017
10. Due to banks	1.705.928
20. Due to costumers	9.272.337
30. Debt securities in issue	1.708.320
40. Financial liabilities held for trading	7.976
50. Financial liabilities designated at fair value through profit and loss	-
60. Hedging derivatives	4.724
80. Tax liabilities	30.226
a) current	3.425
b) deferred	26.801
100. Other liabilities	210.961
110. Provision for termination indemnities	28.962
120. Provisions for risk and charges	46.547
b) other provisions	46.547
140. Valuation reserves	38.307
170. Reserves	761.201
180. Share premium reserve	16.145
190. Share Capital	67.705
210. minority interests (+/-)	52.785
220. Net profit (loss) for the period (+/-)	43.698
Total liabilities and shareholders' equity	13.995.822

CONSOLIDATED INCOME STATEMENT	
31/12/2017	
10. Interest and similar income	283.490
20. Interest and similar expense	- 52.248
30. Net interest income	231.242
40. Commission income	175.484
50. Commission expense	- 11.437
60. Net commission income	164.047
70. Dividends and similare income	6.400
80. Net trading income	2.865
90. Net hedging gains (losses)	- 119
100. Gains (losses) on disposal or repurchase of:	13.605
a) loans	
b) financial assets available for sale	15.322
c) financial assets to maturity	35.097
d) financial liabilities	177.430
110. Net results on financial assets and liabilities designated at fair value	- 8
120. Net interest and other banking income	418.032
130. Net impairment adjustment to:	- 84.919
a) loans	3.425
b) financial assets available for sale	
c) other financial assets	
140. Net profit from financial activities	333.113
170. Net profit from financial and insurance activities	333.113
180. Administrative costs:	- 303.426
a) payroll costs	46.547
b) other administrative costs	
190. Net provisions for risks and charges	- 1.171
200. Net adjustments to property, plant and equipment	- 7.780
210. Net adjustments to intangible assets	- 2.045
220. Other operating changes/income	45.863
230. Operating costs	- 268.559
240. Profit (loss) from equity investments	
270. Gain (losses) on disposal of investments	41
280. Profit (loss) from current operations before tax	64.595
290. Income taxes on current operations	- 19.636
300. Profit (loss) from current operations after tax	44.959
320. Net profit (loss) for the period	44.959
330. Net profit (loss) pertaining to minority interests	- 1.261
340. Parent Company net profit (losses)	43.698
	31/12/2017
Basic earnings per share (Euro)	0,33
Diluted earnings per share (Euro)	0,33

Information on risks and related hedging policy

The information below refers to the Company's operations; as regards the cover pool, reference should be made to paragraph L.2 of Attachment 1 of the Notes.

Liquidity risk

The Company believes it has sufficient liquid assets to meet its financial commitments.

Interest rate risk

The Company has no financial assets and liabilities that expose it to significant interest rate risks.

Exchange rate risk

The Company operates solely at a domestic level and is therefore not exposed to exchange rate risk.

Credit risk

The Company's receivables are mainly for operating costs recharged to the cover pool. Given the collection forecasts of receivables in the cover pool and the priority with which these collections are allocated to pay the receivables, no risks are believed to exist regarding their recoverability.

F) Tax treatment of the cover pool

Pursuant to circular 8/E of 6 February 2003, any income or capital gains derived from managing the cover pool while carrying out covered bond transactions are not at the Company's disposal, so the Company does not have any tax liability for them. This treatment confirms the Bank of Italy's Provision of 29 March 2000, on the basis of which the income statement of the Company is not affected by the income and charges relating to management of the covered bond transaction.

The Company would attract taxation only at the end of the covered bond transaction on any financial resources that it has received once all the creditors of the cover pool have been satisfied.

G) Secondary offices

The Company does not have secondary offices.

H) Employees

The Company does not have any employees.

Conegliano, 06 February 2019

DESIO OBG S.r.l.
The Chairman of the Board of Directors
CARLO MARIA REBAY

General information about the Company

Company data

Name: DESIO OBG S.R.L.
Head office: VIA VITTORIO ALFIERI, 1 - CONEGLIANO (TV)
Quota capital: 10,000.00
Quota capital fully paid: yes
Chamber of Commerce code: TV
VAT number: 04864650264
Tax code: 04864650264
Chamber of Commerce (REA) Number: 404888
Legal form: LIMITED LIABILITY COMPANY
Main sector of activity (ATECO): 649940
Company in liquidation: no
Company with sole quotaholder: no
Company subject to management control and coordination by others: yes
Name of the company that exercises management control and coordination: Banco di Desio e della Brianza S.p.A.
Membership of a group: no
Name of the holding company:
Country of the holding company:
Register of cooperative companies:

Financial statements at 31/12/2018

Ordinary balance sheet

	31/12/2018	31/12/2017
Assets		
B) Fixed assets		
I - Intangible assets	-	-
1) start-up and expansion cost	1,182	1,576
<i>Total intangible assets</i>	<i>1,182</i>	<i>1,576</i>
<i>Total fixed assets (B)</i>	<i>1,182</i>	<i>1,576</i>
C) Current assets		
II - Receivables	-	-

	31/12/2018	31/12/2017
5-bis) tax receivables	6,862	-
due within 12 months	6,862	-
<i>Total receivables</i>	6,862	-
IV - Cash and cash equivalents	-	-
1) bank and postal deposits	22,088	50,339
<i>Total cash and cash equivalents</i>	22,088	50,339
<i>Total current assets (C)</i>	28,950	50,339
D) Accrued income and prepaid expenses	8,303	8,295
<i>Total assets</i>	38,435	60,210
Liabilities		
A) Quotaholders' equity	10,000	10,000
I - Quota capital	10,000	10,000
Total quotaholders' equity	10,000	10,000
D) Payables		
6) advances	5,659	21,827
due within 12 months	5,659	21,827
7) due to suppliers	16,221	16,787
due within 12 months	16,221	16,787
12) taxes payable	1,750	6,799
due within 12 months	1,750	6,799
<i>Total payables</i>	23,630	45,413
E) Accrued expenses and deferred income	4,805	4,797
<i>Total liabilities</i>	38,435	60,210

Ordinary income statement

	31/12/2018	31/12/2017
A) Value of production		
5) other income	-	-
other	73,204	68,266
<i>Total other income</i>	73,204	68,266
<i>Total value of production</i>	73,204	68,266

	31/12/2018	31/12/2017
B) Production costs		
7) services	71,027	60,217
10) amortisation, depreciation and write-downs	-	-
a) amortisation of intangible assets	394	394
<i>Total amortisation, depreciation and write-downs</i>	394	394
14) other operating charges	593	1,464
<i>Total production costs</i>	72,014	62,075
Difference between value and costs of production (A - B)	1,190	6,191
Profit before taxes (A-B+C+-D)	1,190	6,191
20) Income taxes, current and deferred tax assets and liabilities		
current taxes	519	6,191
taxes relating to prior years	671	-
<i>Total income taxes, current and deferred tax assets and liabilities</i>	1,190	6,191
21) Net profit (loss) for the year	-	-
Net profit (loss) for the year	-	-

Cash flow statement (indirect method)

	Amount at 31/12/2018	Amount at 31/12/2017
A) Cash flows generated by operations (indirect method)		
Income taxes	1,190	6,191
<i>1) Net profit (loss) before taxes, interest, dividends and capital gain/losses on disposal</i>	<i>1,190</i>	<i>6,191</i>
Adjustments for non-monetary items without a contra-entry in net working capital		
Amortisation and depreciation		394
<i>Total adjustments for non-monetary items without a contra-entry in net working capital</i>		<i>394</i>
<i>2) Cash flow before changes in net working capital</i>	<i>1,190</i>	<i>6,585</i>
Change in net working capital		
Increase/(Decrease) in due to suppliers	(566)	16,787
Decrease/(Increase) in accrued income and prepaid expenses	(8)	(8,295)
Increase/(Decrease) in accrued expenses and deferred income	8	4,797
Other decreases/(other increases) in net working capital	(28,079)	28,626
<i>Total changes in net working capital</i>	<i>(28,645)</i>	<i>41,915</i>
<i>3) Cash flow after changes in net working capital</i>	<i>(27,455)</i>	<i>48,500</i>
Other changes		
(Income taxes paid)	(1,190)	(6,191)
<i>Total other changes</i>	<i>(1,190)</i>	<i>(6,191)</i>
Cash flow generated by operations (A)	(28,645)	42,309
B) Cash flows generated by investing activity		
Tangible assets		
(Investments)		(1,970)
Intangible assets		
Disposals	394	
Cash flow generated by investing activity (B)	394	(1,970)
C) Cash flows generated by financing activity		
Quotaholders' equity		
Increase in capital for payment		10,000
Cash flow generated by financing activity (C)		10,000
Increase (decrease) in cash and cash equivalents (A ± B ± C)	(28,251)	50,339
Cash and cash equivalents at the beginning of the year		
Bank and postal deposits	50,339	

	Amount at 31/12/2018	Amount at 31/12/2017
Total cash and cash equivalents at the beginning of the year	50,339	
Cash and cash equivalents at the end of the year		
Bank and postal deposits	22,088	50,339
Total cash and cash equivalent at the end of the year	22,088	50,339
Balance		

Explanatory notes, introduction

Introduction

Quotaholders, these explanatory notes form an integral part of the financial statements at 31/12/2018.

The financial statements comply with the provisions of articles 2423 et seq. of the Italian Civil Code and national accounting standards as published by the Italian Accounting Body; they therefore give a true and fair view of the Company's financial position and result for the year.

The Company was established on 27 February 2017 pursuant to Law no. 130 of 30 April 1999, which regulates securitisation transactions in Italy.

Legislative Decree no. 141 of 2010, as subsequently amended, lays down that securitisation vehicle companies are to be set up in the form of limited companies.

Pursuant to the Bank of Italy's Instructions of 7 June 2017, effective from 30 June 2017, the Company is registered in the List of Securitisation Vehicle Companies maintained by the Bank of Italy.

In accordance with the articles of association and the provisions of the law mentioned above, the Company has as its exclusive purpose the implementation of one or more issues (i.e. both individual issues and issue programmes) of guaranteed bank bonds (or "covered bonds") carried out pursuant to art. 7-bis of Law no. 130 of 30 April 1999, subsequent amendments and additions and related implementing provisions, consisting of:

- (i) land loans and mortgage loans, also *en bloc*;
- (ii) receivables from public administrations or guaranteed by them and securities issued or guaranteed at the same terms, also *en bloc*;
- (iii) securities issued as part of securitisations involving the same type of receivables;
- (iv) other eligible assets or additional eligible assets that are permitted by the regulations mentioned above;

through the assumption of loans granted or guaranteed also by the assignor banks, as well as guaranteeing the bonds issued by these or other banks.

The Company will carry out the activities indicated above according to the terms, methods and conditions established by the law applicable to issues of covered bonds pursuant to art. 7-bis of Law 130 of 30 April 1999, and subsequent amendments and additions related to its implementation.

The Company has prepared these financial statements confirming the accounting separation of the securitised assets with respect to those of the company, in line with the provisions of the previous Bank of Italy Provision of 29 March 2000, even

if it has lapsed as a result of the repeal by Legislative Decree 136/15 of Legislative Decree 87/92, of which it was a direct application and although this segregation is not governed by any provision of the Italian Civil Code.

Recourse to the provisions of the Italian Civil Code for the representation of corporate operations derives from the exclusion of the securitisation vehicle companies under Law 130/99 from subjects qualifying as non-banking financial intermediaries, following the completion of the Reform of Title V by Legislative Decree 141/2010 and subsequent corrective decrees, the effects of which have been translated from an accounting point of view by Legislative Decree 136/15.

Pending the issue of a new regulatory source - replacing the previous one - to govern the preparation of financial statements of the securitisation vehicle companies, the Company has made the choices explained above as being closer to the regulatory provisions currently in force and, at the same time, suitable for the purpose of providing information on the Company's financial position, result and cash flows, which is useful for users of the financial statements to make decisions of an economic nature and which is at the same time relevant, reliable, comparable and comprehensible with regard to both the Company's operations and the cover pool.

These decisions are also based on compliance with the general principle of continuity in the representation of transactions and other operating situations to help make the financial statements more comprehensible.

Company's operations

The contents of the balance sheet and income statement, which only represent the Company's operations, are therefore those foreseen in articles 2424 and 2425 of the Italian Civil Code, whereas the Cash Flow Statement has been prepared in accordance with art. 2425-ter.

The explanatory notes, prepared in accordance with art. 2427 of the Italian Civil Code, contain all the information necessary to provide a correct interpretation of the financial statements and, in particular, they contain a specific attachment with information on the securitisation.

Securitisation

In light of the above, the Company has prepared these financial statements confirming the accounting separation of the securitised assets with respect to those of the Company, in line with the provisions of the previous Bank of Italy Instructions of 29 March 2000.

As a consequence, the financial assets purchased, the securities issued and the other transactions carried out as part of the securitisation are represented in accordance with the previous instructions issued specifically by the Bank of Italy, as explained in the attachment to these notes, and do not form part of the Financial Statements.

This attachment has to be considered an integral part of these financial statements.

This approach is also in line with the provisions of Law no. 130 of 30 April 1999, according to which "the receivables related to each transaction constitute a pool of segregated assets that are to all effects separate from those of the company and from those relating to other transactions".

In greater detail, with reference to the securitisation, the following provisions continue to be respected:

- a) the accounting information relating to each securitisation is shown separately in specific attachments to the Explanatory Notes;
- b) the Attachments contain the qualitative and quantitative figures needed for a clear and complete representation of each operation. More specifically, they provide the minimum quantity of information specified below: (i) information on the amount of loans purchased (nominal and sale value); (ii) information on the amount of securities issued, distinguishing between the various classes of securities with their level of subordination; (iii) accounting information; (iv) qualitative information; (v) quantitative information pertaining to the securitisation(s).

The Company has complied with the rule that all pertinent information must be provided, even if not expressly required, in order to give a complete picture of the situation, whereas information that by its nature or due to excessive content reduces the clarity and immediacy of the document's information should be excluded.

Note that the question of the accounting treatment of financial assets and/or groups of financial assets and financial liabilities arising as part of securitisations is still under review by the bodies responsible for the interpretation of accounting standards.

Furthermore, Legislative Decree no. 139/2015 was published on 4 September 2015, taking effect from the financial statements for financial years commencing on or after 1 January 2016, according to which important changes have been introduced to the measurement criteria of certain financial statement items of companies required to follow the accounting rules dictated by the Italian Civil Code and the Italian accounting standards.

These changes include, in particular, the measurement at amortised cost of receivables and liabilities arising in 2016, as well as the fair value measurement of derivatives existing at the date of first-time application of the decree.

Note that pending an express clarification of the law regarding the applicability of these changes to the cover pool of securitisation vehicle companies, the Company has decided to keep the same accounting policies used to measure the prospectus items, in the interests of consistency. These items are more explained in greater detail in the attachment to the notes, in the paragraph "Information on the summary prospectus", to which reference should be made.

Preparation of the Financial Statements

The information contained in this document is presented in the order in which the items are indicated in the Balance Sheet and in the Income statement.

With reference to what is indicated in the introductory part of these notes, we can assure readers that if the information required by specific legal provisions is not sufficient to give a true and fair view of the Company's situation, we provide the additional information deemed necessary for the purpose, pursuant to art. 2423, paragraph 3 of the Italian Civil Code.

There were no exceptional cases that required exemptions pursuant to art. 2423, paragraphs 4 and 5 and art. 2423-bis paragraph 2 of the Italian Civil Code.

The Financial Statements and these notes have been drawn up in euros.

Basis for the preparation of the financial statements

The items in the financial statements are measured in compliance with the prudence principle and on a going-concern basis. Pursuant to art. 2423-bis para.1 point 1-bis of the Italian Civil Code, the recognition and presentation of the items take into account the substance of the transaction or contract.

In preparing the Financial Statements, income and expenses are recorded on an accruals basis regardless of when payment is made or received. The risks and losses pertaining to the year were also taken into account, even if they became known after the end of the period.

Form and content of the Financial Statements

The balance sheet, income statement, cash flow statement and the accounting information contained in these explanatory notes agree with the accounting records, from which they were taken directly.

No items in the balance sheet and income statement preceded by Arabic numerals were grouped together (an option provided in art. 2423 ter of the Italian Civil Code).

Pursuant to art. 2424 of the Italian Civil Code, we can confirm that there are no assets or liabilities that fall under more than one item in the Financial Statements.

Measurement

The notes on individual items give details of the criteria applied, pursuant to article 2427 para. 1 no. 1 of the Italian Civil Code, in compliance with the provisions contained in art. 2426 of the Italian Civil Code, with particular reference to those items in the financial statements for which the legislator admits various different criteria for measurement and adjustment or for which no specific criteria are envisaged.

Measurement of items in foreign currencies

At the year end date, the Company does not hold foreign currency receivables or payables.

Transactions with a forward repurchase obligation

Pursuant to art. 2427 no. 6-ter, the Company certifies that during the year there were no transactions subject to a forward repurchase obligation.

Explanatory notes - assets

Introduction

The figures recorded under assets in the balance sheet are measured in accordance with the provisions of art. 2426 of the Italian Civil Code and in compliance with Italian accounting standards. The notes on individual items give details of the criteria applied.

Fixed assets

Intangible assets

Introduction

They consist solely of start-up and expansion costs.

Start-up and expansion costs are recorded on the assets side of the balance sheet because they produce benefits that last for more than one year; these costs are amortised systematically over a period of not more than five years.

Changes in intangible assets

Introduction

The table shows the changes in intangible assets.

Analysis of the changes in intangible assets

	Start-up and expansion costs	Total intangible assets
Opening balance at the start of the period		
Cost	1,576	1,576
Book value	1,576	1,576
Changes during the year		
Decreases due to sales and disposals (at book value)	394	394
<i>Total changes</i>	<i>(394)</i>	<i>(394)</i>
Closing balance		
Cost	1,182	1,182

	Start-up and expansion costs	Total intangible assets
Book value	1,182	1,182

Current assets

Introduction

Current assets are valued according to article 2426, 8 to 11-bis of the Italian Civil Code. The criteria used are indicated in the notes to the various items in the financial statements.

Loans and receivables recorded under current assets

Introduction

The loans and receivables recorded under current assets are reported in the Financial Statements according to the amortised cost method, as defined by art. 2426 of the Italian Civil Code, taking into account the time factor and their estimated realisable value, in compliance with the provisions of art. 2426, paragraph 1, no. 8 of the Italian Civil Code.

The adjustment to estimated realisable value is made, where necessary, by charging a provision for doubtful accounts.

Loans and receivables for which applying the amortised cost and/or discount method is irrelevant for the purpose of giving a true and fair view of the Company's economic situation have been maintained at their estimated realisable value. For example, this is applied to receivables with a maturity of less than twelve months or, with reference to the amortised cost method, in the event that transaction costs, commissions and any other difference between the initial value and the maturity value is of little importance, or in the case of the discount method, in the presence of an interest rate that can be inferred from contractual conditions that are not significantly different from the market interest rate.

Changes and maturity of loans and receivables recorded under current assets

Introduction

The following table shows the information regarding changes in loans and receivables recorded under current assets and information on their maturity, if this is significant.

Analysis of changes and maturity of loans and receivables recorded under current assets

	Changes during the year	Closing balance	Portion due within 12 months
Tax receivables	6,862	6,862	6,862
Total	6,862	6,862	6,862

Comment

"Tax receivables" refer to:

IRES and IRAP advances paid during the year and deductible from the provision for taxation.

Cash and cash equivalents

Introduction

Cash and cash equivalents are valued at nominal value.

Analysis of changes in cash and cash equivalents

	Opening balance at the start of the year	Change during the year	Closing balance at the end of the year
bank and postal deposits	50,339	(28,251)	22,088
<i>Total</i>	<i>50,339</i>	<i>(28,251)</i>	<i>22,088</i>

Comment

The amount consists of temporary cash balances on bank accounts held by the Company for its own operations; these are demand deposits.

Accrued income and prepaid expenses

Introduction

Accrued income and prepaid expenses are calculated on an accruals basis, allocating revenues or costs relating to two or more financial years.

Comment

The following table shows the composition of the items in question, as they are shown in the Financial Statements.

Description	Detail	Current year amount
<i>ACCRUED INCOME AND PREPAID EXPENSES</i>		
	ACCRUED INCOME	4,805
	PREPAID EXPENSES	3,498
	Total	8,303

"Accrued income" includes the accrual of the "corporate servicer fee", which the Company collects periodically from the cover pool of the securitisation for the administrative and corporate management service of the vehicle being accrued as of 31/12/2018, in accordance with the Administrative Services contract

"Prepaid expenses" include costs for 2018 already invoiced at the closing date of these financial statements.

Explanatory notes, liabilities and quotaholders' equity

Introduction

The liabilities and equity items in the balance sheet are accounted for in compliance with Italian accounting standards; the notes on individual items give details of the criteria applied.

Quotaholders' equity

Introduction

The items are shown in the financial statements at their book value in accordance with the guidelines contained in accounting standard OIC 28.

Changes in quotaholders' equity items

Introduction

The following tables show changes in the individual equity items at the end of the year, as well as details of any other reserves.

Analysis of changes in quotaholders' equity items

	Opening balance at the start of the year	Closing balance at the end of the year
Quota capital	10,000	10,000
Total	10,000	10,000

Availability and use of quotaholders' equity

Introduction

The following tables give details of the various equity items, specifying their origin, how they can be used and distributed, as well as how they have been used in the last three years.

Origin, possibility of use and distributability of quotaholders' equity items

Description	Amount	Origin/nature	Possibility of use
Quota capital	10,000	Quota capital	
Total	10,000		

Non-distributable portion

Residual distributable portion

Key: A: increase in capital; B: loss coverage; C: distribution to quotaholders; D: other restrictions; E: other

Payables

Introduction

Payables are recorded in the financial statements at amortised cost, as defined by art. 2426 para. 2 of the Italian Civil Code, taking into account the time factor, in accordance with the provisions of art. 2426, para. 1, no. 8 of the Italian Civil Code. Payables for which applying the amortised cost or discount method is irrelevant for the purpose of giving a true and fair view of the Company's financial and economic situation have been maintained at their face value. For example, this is applied to payables with a maturity of less than twelve months or, with reference to the amortised cost criterion, in the event that transaction costs, commissions and any other difference between the initial value and the maturity value is of little importance, or in the case of the discount method, in the presence of an interest rate that can be inferred from contractual conditions that are not significantly different from the market interest rate.

Change and maturity of payables

Introduction

The following table shows the information regarding changes in payables and any information on their maturity.

Analysis of changes and maturity of payables

	Opening balance at the start of the period	Changes during the year	Closing balance	Portion due within 12 months
Advances	21,827	(16,168)	5,659	5,659
Due to suppliers	16,787	(566)	16,221	16,221
Taxes payable	6,799	(5,049)	1,750	1,750
Total	45,413	(21,783)	23,630	23,630

Comment

The amounts "due to suppliers" refer to invoices for services rendered in 2018 (i) received and not yet paid at the end of the year and (ii) not yet received at the balance sheet date.

"Advances" refer to money received by the Company from the securitisation to pay for its operating expenses.

"Taxes payable" refer to IRES provisions calculated at a rate of 24%, while for IRAP provisions, the rate applied is 3.9%.

Accrued expenses and deferred income

Introduction

Accrued expenses and deferred income have been calculated on an accruals basis, allocating costs or revenues relating to two or more financial years.

Comment

The following table shows the composition of the items in question, as they are shown in the financial statements.

Description	Detail	Amount in current year
<i>ACCRUED EXPENSES AND DEFERRED INCOME</i>		
	ACCRUED EXPENSES	4,805
	Total	4,805

"Accrued expenses" include the cost for the administrative and corporate management of the securitisation vehicle, calculated on an annual basis, accruing up to 31/12/2018, for which the supplier will issue an invoice next year.

Explanatory notes, income statement

Introduction

The income statement shows the result for the year.

It provides an overview of the Company's operations, summarising the positive and negative components of income that make up the result for the year. The positive and negative components of income, recorded in the financial statements in accordance with article 2425-bis of the Italian Civil Code, are classified according to their nature: core business, ancillary operations and financial management.

Core business identifies the income components generated by transactions that take place continuously and in the relevant sector for the Company's operations, which identify and qualify the peculiar and distinctive part of the Company's activity, the one for which it was set up.

Considering the Company's nature, which was set up specifically to carry out securitisation transactions, the core business is dedicated to the Company's subsistence by sustaining the costs that allow it to survive and applying the contractual provision that allows them to be recharged to the cover pool.

Financial management consists of transactions that generate financial income and expenses.

On a residual basis, ancillary operations consist of transactions that generate items of income that form part of ordinary operations, but are not considered part of the core business nor part of financial management. The Company does not carry on any ancillary activities.

Value of production

Introduction

Revenues are recorded on an accruals basis, net of returns, rebates, discounts and bonuses, as well as any taxes directly connected to them.

They refer mainly to the reimbursements that the Company is entitled to accrue from the cover pool having paid for its own operating costs.

Production costs

Comment

Costs and charges are recognised on an accruals basis according to their nature, net of returns, rebates, discounts and premiums, in accordance with the principle of matching costs with revenues, and recorded in the respective items as required by accounting principle OIC 12. In the case of purchased services, the costs are recorded when the service has been received, whereas if the services are provided on an ongoing basis, the costs are recorded as they accrue.

Amount and nature of individual elements of revenue or cost of exceptional amount or impact

Comment

There are no elements of revenue or cost of an exceptional amount.

Current and deferred income taxes

Introduction

Deferred tax assets and liabilities

No provision has been made for deferred tax assets and liabilities in the income statement, as there are no temporary differences between the tax charge in the balance sheet and the theoretical tax charge.

Explanatory notes, cash flow statement

Comment

The Company has prepared a cash flow statement which is the summary document that links the changes that took during the year in the Company's assets with the changes in its financial position; it highlights the financial resources that the Company required during the year and how they were used.

The Company uses the indirect method by which cash flow is reconstructed by adjusting the result for non-monetary items, in accordance with OIC 10.

Explanatory notes, other information

Introduction

Other information required by the Italian Civil Code is provided below.

Employment data

Introduction

The Company did not have any employees during the year.

Remuneration, advances and loans granted to directors and statutory auditors and commitments undertaken on their behalf

Introduction

The following table shows the information required by art. 2427 no. 16 of the Italian Civil Code, pointing out that there were no advances or loans and no commitments were undertaken on behalf of the Board of Directors because of any kind of guarantee that might have been given to them.

Remuneration, advances and loans granted to directors and statutory auditors and commitments undertaken on their behalf

	Directors
Remuneration	19,990

Audit fees

Introduction

The following table shows the fees due to the audit firm, broken down by the type of services provided.

Amount of fees due to the legal auditor or audit firm

	Legal audit of the annual accounts	Total fees due to the legal auditor or audit firm
--	------------------------------------	---

	Legal audit of the annual accounts	Total fees due to the legal auditor or audit firm
Amount	16,000	16,000

Categories of shares issued by the company

Introduction

This section of the notes is irrelevant because the quota capital is not represented by shares.

Securities issued by the Company

Introduction

With reference to the Company's operations, it has not issued securities or anything similar that would be governed by art. 2427 no. 18 of the Italian Civil Code.

Details of other financial instruments issued by the Company

Introduction

With reference to the Company's operations, it has not issued other financial instruments pursuant to article 2346, paragraph 6, of the Italian Civil Code.

Commitments, guarantees and contingent liabilities not shown on the balance sheet

Introduction

With reference to the Company's operations, there are no commitments, guarantees or contingent liabilities not shown on the balance sheet.

Assets and loans to be used for a specific deal

Comment

The specific purpose of the Company is to carry out securitisations which, as mentioned in the introduction to the notes, are shown in accordance with the previous provisions issued specifically by the Bank of Italy, as explained in the attachment to these notes, to which reference should be made; they are listed here:

Attachment 1

Note that the attachment is to be considered an integral part of these financial statements.

Related party transactions

Comment

With reference to the securitisation, please refer to paragraph B.2 of Attachment 1 of the Notes, where there is a complete list of the entities involved.

Agreements not shown in the balance sheet

Comment

With reference to the Company's operations, there are no agreements entered into during the year that are not shown in the balance sheet.

Significant subsequent events

Comment

With reference to point 22-quater of art. 2427 of the Italian Civil Code, no significant events relating to the Company's operations, which could have had a material impact on the balance sheet or income statement, took place after the end of the year.

Derivatives pursuant to art. 2427-bis of the Italian Civil Code

Comment

No derivatives have been taken out in connection with the Company's operations.

Summarised financial statements of the company that exercises management control and coordination activities

Introduction

Note that the Company is subject to management control and coordination by Banco di Desio e della Brianza S.p.A.

The following summary tables provide the key figures of the latest approved consolidated financial statements of the company that exercises management control and coordination.

CONSOLIDATED BALANCE SHEET	
ASSETS	31/12/2017
10. Cash and cash equivalents	59.413
20. Financial assets available for trading	20.981
40. Financial assets available for sale	1.511.467
50. Financial assets held to maturity	748.696
60. Due from banks	1.218.060
70. Loans to customers	9.861.862
80. Hedging derivatives	5
90. Adjustment to financial assets with generic hedge (+/-)	875
120. Property, plant and equipment	180.566
130. Intangible Assets	17.946
of which:	
- goodwill	15.322
140. Tax assets	212.527
a) current	35.097
b) deferred	177.430
- of which Law 214/2011	151.027
160. Other Assets	163.424
Total assets	13.995.822
LIABILITIES	31/12/2017
10. Due to banks	1.705.928
20. Due to costumers	9.272.337
30. Debt securities in issue	1.708.320
40. Financial liabilities held for trading	7.976
50. Financial liabilities designated at fair value through profit and loss	-
60. Hedging derivatives	4.724
80. Tax liabilities	30.226
a) current	3.425
b) deferred	26.801
100. Other liabilities	210.961
110. Provision for termination indemnities	28.962
120. Provisions for risk and charges	46.547
b) other provisions	46.547
140. Valuation reserves	38.307
170. Reserves	761.201
180. Share premium reserve	16.145
190. Share Capital	67.705
210. minority interests (+/-)	52.785
220. Net profit (loss) for the period (+/-)	43.698
Total liabilities and shareholders' equity	13.995.822

CONSOLIDATED INCOME STATEMENT	
31/12/2017	
10. Interest and similar income	283.490
20. Interest and similar expense	- 52.248
30. Net interest income	231.242
40. Commission income	175.484
50. Commission expense	- 11.437
60. Net commission income	164.047
70. Dividends and similare income	6.400
80. Net trading income	2.865
90. Net hedging gains (losses)	- 119
100. Gains (losses) on disposal or repurchase of:	13.605
a) loans	
b) financial assets available for sale	15.322
c) financial assets to maturity	35.097
d) financial liabilities	177.430
110. Net results on financial assets and liabilities designated at fair value	- 8
120. Net interest and other banking income	418.032
130. Net impairment adjustment to:	- 84.919
a) loans	3.425
b) financial assets available for sale	
c) other financial assets	
140. Net profit from financial activities	333.113
170. Net profit from financial and insurance activities	333.113
180. Administrative costs:	- 303.426
a) payroll costs	46.547
b) other administrative costs	
190. Net provisions for risks and charges	- 1.171
200. Net adjustments to property, plant and equipment	- 7.780
210. Net adjustments to intangible assets	- 2.045
220. Other operating changes/income	45.863
230. Operating costs	- 268.559
240. Profit (loss) from equity investments	

270. Gain (losses) on disposal of investments		41
280. Profit (loss) from current operations before tax		64.595
290. Income taxes on current operations	-	19.636
300. Profit (loss) from current operations after tax		44.959
320. Net profit (loss) for the period		44.959
330. Net profit (loss) pertaining to minority interests	-	1.261
340. Parent Company net profit (losses)		43.698

	31/12/2017
Basic earnings per share (Euro)	0,33
Diluted earnings per share (Euro)	0,33

Proposal to allocate profits or to cover losses

Comment

Quotaholders,

the Financial Statements closed at break-even, so there is no allocation of profits to be made.

Explanatory notes, conclusion

Comment

Quotaholders, we can confirm that these financial statements, consisting of the balance sheet, income statement, cash flow statement and explanatory notes, give a true and fair view of the Company's financial position and result for the year and that they agree with the accounting records. We therefore invite you to approve the draft financial statements at 31/12/2018, together with the proposal for allocation of the result of the year, as prepared by the Board of Directors.

The financial statements give a true and fair view and agree with the accounting records

Conegliano, 6/02/2019

DESIO OBG S.R.L.

Carlo Maria Rebay, Chairman

ATTACHMENT NO. 1**INFORMATION ON THE SECURITISATION OF LOANS AND RECEIVABLES****Section 1 – SPECIFIC REFERENCES ON THE ACTIVITIES CARRIED ON****D. GUARANTEES AND COMMITMENTS**

At the closing date of the financial statements the Company has not issued any guarantees in favour of third parties and there are no outstanding commitments, other than those envisaged and regulated expressly by the contracts governing the covered bond transaction and the related cover pool.

L. COVERED BONDS

In the absence of specific detailed tables as required by the Bank of Italy's Instructions of 15 December 2015, as modified by the provision of 9 December 2016, the Company decided to base the disclosures made in this section on the structure explicitly required for the part L "Securitisation of loans and receivables".

The following table gives details of the initial portfolio and of the portfolio purchased subsequently, as well as the resources obtained for its purchase in the form of subordinated loans from the transferring bank.

Amount of loans purchased

Date of purchase	Nominal value	Loss provision	Amortised cost difference	Transfer price
05 July 2017	833,394,536	(723,512)	(1,348,884)	831,309,426
07 November 2018	413,702,051	(455,049)	387,028	413,634,030
Total loans and receivables purchased	1,247,096,587	(1,178,561)	(961,856)	1,244,943,456

Details of purchased loans:

Date of disposal: 05/07/2017

Banco Desio:

- Nominal value of initial portfolio of loans at valuation date: Euro 584,087,987.45
- Transfer price of initial portfolio: Euro 582,522,028.94

Banca Popolare di Spoleto:

- Nominal value of initial portfolio of loans at valuation date; Euro 249,306,548.33
- Transfer price of initial portfolio: Euro 248,787,397.10

Date of disposal: 07/11/2018

Banco Desio:

- Nominal value of initial portfolio of loans at valuation date; Euro 165,453,330.36
- Transfer price of initial portfolio: Euro 165,070,907.58

The subordinated loans granted by Banco di Desio e della Brianza S.p.A. and Banca Popolare di Spoleto S.p.A. on the dates that the loans and receivables were purchased, for an amount equal to the transfer price, are subject to interest due on each payment date equal to the sum of:

- an amount (known as the "Basic Interest") calculated by multiplying the each subordinated loan by the applicable rate and the number of days in the accrual period
- an amount (known as the "Premium") equal to the difference between the funds available on interest account of the guarantor, deriving from the loans and receivables collected and transferred by each of the two originators, and all other amounts (attributed pro-quota according to the contractual documentation to each of the two subordinated lenders), payment of which is due first according to the payment order of priority.

The loans can be repaid on each payment date in accordance with the applicable payment order of priority and within the limits of the available funds on capital account, on condition that such payment does not result in a breach of the tests contained in the contracts.

The informations shown in the following table are related on the first bonds issued by Banco di Desio e della Brianza S.p.A., for which the vehicle company acts as Guarantor:

Seri es	Tranc he	Amount	ISIN Code	Commo n Code	Issue Date	Expiry Date	Type of rate	Coup on	Coup on
1	1	500.000.000	IT0005277451	167862977	12.09.2017	12.09.2024	Fix	0.875%	Yearly

DESIO OBG SRL

COMPANY SUBJECT TO MANAGEMENT CONTROL AND COORDINATION AS PER ART. 2497 AND SEQ. OF THE ITALIAN CIVIL CODE: BANCO DI DESIO E DELLA BRIANZA S.P.A.
ATTACHMENT NO. 1 TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018

The first bond issued is increased on 31 October 2017, always on the initial portfolio loans, as shown in the following table:

Seri es	Tranc he	Amount	ISIN Code	Commo n Code	Issue Date	Expiry Date	Type of rate	Coup on	Coup on
1	2	75.000.000	IT0005277451	167862977	31.10.2017	12.09.2024	Fisso	0.875 %	Yearly

INFORMATION ON THE SUMMARY TABLE

Based on the information reported in the paragraph on Securitisation transactions of Part A.1, Section 1 and Section 2, the structure and form of the summary statement are in line with the Instructions that were issued by the Bank of Italy by Order dated 15 December 2015.

Note that pending official pronouncements on the matter, these criteria are not affected by the valuation amendments introduced by Legislative Decree 139/15, but are consistent with the valuation criteria applied in previous years. In fact, they appear to be the most suitable to reflect the financial aspect of the Company's specific nature and to link these financial statements with the other financial information that the Company is required to produce.

The items shown as being linked to the securitised loans and receivables agree with the figures taken from the books of account and from the information system of the Servicer, Banco di Desio e della Brianza S.p.A.

Amounts are expressed in euros.

A. Securitised assets

A.1 Loans and receivables

Loans and receivables are initially recognized at their transfer value and then shown during the course of the operation net of any amounts collected during the period. Their value is written down at the closing date to adjust it to their estimated realisable value based on the information provided by the Servicer. They include accrued income for the interest that is considered recoverable.

B. Use of available funds

B.3 Cash and banks

The balances on bank current accounts are shown in the financial statements at their nominal value, which is the same as their estimated realisable value, and include the interest accrued at the date of these financial statements.

B.4 Investments and cash equivalents

The item "Investments and cash equivalents" includes amounts already collected at the balance sheet

date, but not yet credited to the Company's current accounts.

B.5 Accrued income and prepaid expenses

The item “ Accrued income on SWAP” have been calculated on an effective accruals basis, by applying the principle of matching costs to revenues per financial year.

These receivables are shown at their presumed realisable value.

B.6 Other loans and receivables

Other loans and receivables include the advance made to the so-called "ordinary operations" so that the Company could pay for its operating costs.

D. Loans received

The amount is stated at nominal value.

E. Other liabilities

Payables are recorded at nominal value.

Accrued expenses have been calculated on an effective accruals basis to match costs and revenues in the correct period.

Interest, commission, income and expenses

Costs and revenues relating to the securitised assets and to the securities issued, interest, commission, income and expenses that derive from the securitisation are accounted for on an accruals basis.

Derivative contracts

The differential on the interest rate swap contract taken out to hedge interest risk is recorded as income or expense according to the accruals principle.

Cover pool closure mechanism

It is clear from table 1 of the Summary Statement that the year ended at break-even, by allocating the entire surplus earned during the year to the subscriber of the class B security in the form of additional remuneration.

In this way, total assets of the cover pool coincide with total liabilities.

RECONCILIATION TABLE 1

TOTAL ASSETS	1,251,255,391
TOTAL LIABILITIES	1,251,255,391
DIFFERENCE	0
PREVIOUS YEARS' RESULTS	0
SECURITISATION RESULT FOR THE CURRENT YEAR	0

TABLE 1: SUMMARY STATEMENT OF SECURITISED ASSETS AND LOANS RECEIVED

STATEMENT L.1		31/12/2018	31/12/2017
A.	Securitized assets	1,097,284,721	785,160,512
A.1	Loans and receivables	1,097,284,721	785,160,512
B.	Use of resources derived from receivable management	153,970,670	52,689,536
B.3	Cash and banks	152,808,505	51,712,565
B.4	Investments and cash equivalents	365,410	164,048
B.5	Accrued income and prepaid expenses	791,096	791,096
B.6	Other loans and receivables	5,659	21,827
D.	Loans received	1,246,111,311	832,059,914
E.	Other liabilities	5,144,080	5,790,134
E.1	Suppliers for services rendered to the securitisation	13,021	55,494
E.2	Accrued expenses and deferred income	54,703	54,241
E.3	Payables to the Originator	5,076,356	5,680,399
G.	Fees and commission to be borne by the securitisation	641,148	340,032
G.1	For servicing	525,517	252,335
G.2	For other services	115,631	87,697
H.	Other charges	19,300,208	9,578,940
H.1	Write-downs of loans and receivables	382,850	210,411
H.2	Interest expense	18,890,314	9,335,212
H.4	Other charges	27,044	33,317
I.	Interest generated by securitized assets	18,123,577	9,277,472
L.	Other income	1,817,779	641,500
L.2	Write-backs to loans and receivables	0	72,136
L.3	Asset swap differential	1,781,208	541,438
L.4	Other income	36,571	27,926

* interest expenses also includes the commission on current account cash balances which from 2018 will no longer be paid by Desio OBG S.r.l., but by Banco di Desio e della Brianza S.p.A. and Banca Popolare di Spoleto S.p.A. according to their respective shares.

Please refer to the following pages for comments on the notes to the above table.

BREAKDOWN OF THE MAIN ITEMS REFERRED TO IN THE ABOVE TABLE

STATEMENT L.1 - BREAKDOWN OF THE CAPTIONS		31/12/2018	31/12/2017
A.1	Loans and receivables	1,097,284,721	785,160,512
a.	Principal amount of loans and receivables still to fall due	1,097,583,705	785,654,263
b.	Receivables in PTF per charges	0	437,207
c.	Receivables for default interest	2,370	973
d.	Receivables for expenses accrued	2,873	650
e.	Past due loan instalments - interest	99,247	59,108
f.	Past due loan instalments - principal	330,235	175,512
g.	Instalments in suspense - interest	611,050	5,300
h.	Accrued interest income on mortgage loans	1,316,783	1,040,404
i.	Advances from customers	0	(2,234)
j.	Provision for loans and receivables	(979,616)	(586,014)
k.	Specific provision for loans and receivables	(720,070)	(275,773)
l.	Write-down of loans and receivables to a.c.	(961,856)	(1,348,884)
B.3	Cash and banks	152,808,505	51,712,565
a.	Desio collection account	104,371,318	35,038,891
b.	Spoletto collection account	47,198,033	15,285,288
c.	Payments account	0	43
d.	Liquidity reserve account	1,239,154	1,388,343
B.4	Investments and cash equivalents	365,410	164,048
a.	Receivables for amounts to be collected	365,410	164,048
B.5	Accrued income and prepaid expenses	791,096	791,096
a.	Accrued income on swaps	791,096	791,096
B.6	Other loans and receivables	5,659	21,827
a.	Advances on ordinary operating costs	5,659	21,827
D.	Loans received	1,246,111,311	832,059,914
a.	Loans received	1,244,943,456	831,309,426
b.	Payables for subordinated loan	1,167,855	750,488
E.1	Suppliers for services rendered to the securitisation	13,021	55,494
a.	Suppliers for invoices to be received	4,000	49,058
b.	Suppliers	9,021	6,435
E.2	Accrued expenses and deferred income	54,703	54,241
a.	Accrued expenses	7,036	8,574
b.	Accrued expenses on swaps	47,667	45,667
E.3	Payables to the Originator	5,076,356	5,680,399
a.	Payables to assignor for servicing fee	157,915	130,766
b.	Advance payments	572	12,714
c.	Payables for additional remuneration	4,917,869	5,536,919
G.1	Servicing fees	525,517	252,335
a.	Servicing	525,517	252,335
G.2	Other service fees	115,631	87,697
	Corporate expenses	71,825	68,266
	On-going expenses	43,806	19,431

DESIO OBG SRL

COMPANY SUBJECT TO MANAGEMENT CONTROL AND COORDINATION AS PER ART. 2497 AND SEQ. OF THE ITALIAN CIVIL CODE: BANCO DI DESIO E DELLA BRIANZA S.P.A.

ATTACHMENT NO. 1 TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018

H.1	Write-downs of loans and receivables	382,850	210,411
	a. Collective write-downs of loans and receivables	137,289	13,700
	b. Specific write-downs of loans and receivables	245,561	196,711
H.2	Interest expense	18,890,314	9,335,212
	a. Interest expense on subordinated loans	4,654,736	1,939,491
	b. Additional remuneration	14,235,578	7,334,475
	c. Commission expense	0	61,246
H.4	Other charges	27,044	33,317
	a. Other charges and penalties	0	3
	b. Operating costs	1544	345
	c. Notary and legal fees	1,220	1,332
	d. Up-front expenses	0	31,637
	e. Consultancy fees	9,106	0
	f. Publication expenses	10,240	0
	g. Translation expenses	4,880	0
	h. Sundry expense recoveries	16	0
	i. Out-of-period expenses	38	0
I.	Interest generated by securitised assets	18,123,577	9,277,472
	a. Interest income on loans	18,049,458	9,249,166
	b. Default interest income	20,428	7,148
	c. Ancillary income on instalments	53,691	21,158
L.2	Write-backs to loans and receivables	0	72,136
	a. Write-backs from use of provision	0	72,136
L.3	Positive swap differential	1,781,208	541,438
	a. Income/expense from swaps	1,781,208	541,438
L.4	Other income	36,571	27,926
	a. Penalties on early repayments	36,571	27,926

QUALITATIVE INFORMATION

L.2 DESCRIPTION OF THE SECURITISATION AND ITS PROGRESS

Date of the transaction

The transaction was completed by signing the receivables assignment contract on 5 July 2017.

This contract governs the transfer of the initial receivables portfolio and subsequent transfers that will be part of a single programme for the issue of covered bonds by Banco di Desio e della Brianza S.p.A., in which the Company acts as Guarantor by granting the bearers of the covered bonds a first, irrevocable, unconditional and autonomous demand guarantee.

The Guarantor's purchase of the receivables was financed by the Subordinated Loans.

- Date of the Initial Transfer contract (legal effect): 5 July 2017
- Economic effectiveness date of the Initial Transfer: 5 July 2017
- Valuation date of the Initial Portfolio: 5 July 2017
- Loan disbursement date: 17 July 2017
- Issue date by Banco di Desio e della Brianza S.p.A. of the first series of covered bonds: 12 September 2017
- Date guarantee on covered bonds signed 19 July 2017

Assignors

- Company name: BANCO DI DESIO E DELLA BRIANZA S.P.A.
- Legal form: Joint stock company
- Head office in: Via Rovagnati 1, Desio (MB)
- Tax registration number and subscription at the Italian Official Register: 01181770155
- Enrolment in Bank Register: 3440
- Company name: BANCA POPOLARE DI SPOLETO S.P.A.
- Legal form: Joint stock company
- Head office in: Piazza Pianciani 5, Spoleto (PG)
- Tax registration number and subscription at the Italian Official Register: 01959720549

Register:

- Enrolment in Bank Register: 5134.2

Loans and receivables subject to transfer

The assignors have each transferred without recourse, pursuant to art. 1 and 4 of Law no. 130 of 30 April 1999, a portfolio of loans and receivables *en bloc*, deriving from mortgages secured by residential buildings

- Nominal value of loans and receivables transferred by Banco di Desio e della Brianza S.p.A. at the valuation date: 584,087,987.45
- Transfer price of loans and receivables sold by Banco di Desio e della Brianza S.p.A. (including accrued interest): 582,522,028.94
- Nominal value of loans and receivables transferred by Banca Popolare di Spoleto S.p.A. at the valuation date: 249,306,548.33
- Transfer price of loans and receivables sold by Banca Popolare di Spoleto S.p.A. (including accrued interest): 248,787,397.10

- Type of assets The portfolio consists of loans and receivables deriving from mortgages secured by residential properties

- Nature of the loans and receivables purchased: The characteristics of the loans and receivables purchased have been published in detail in the Official Gazette part II no. 84 of 18/07/2017, also for the purpose of notifying their assignment to the debtors.

- Quality of the loans and receivables purchased: At the time of the transfer, the loans and receivables were classified as performing on the basis of the criteria applied by the assignors in compliance with the Bank of Italy's regulations.

- Transfer price of loans and receivables sold by Banco di Desio e della Brianza S.p.A. (including accrued interest): 165,070,907.58
- Transfer price of loans and receivables sold by Banca Popolare di Spoleto S.p.A. (including accrued interest): 248,563,122.49
- Type of assets
The portfolio consists of loans and receivables deriving from mortgages secured by residential properties
- Nature of the loans and receivables purchased:
The characteristics of the loans and receivables purchased have been published in detail in the Official Gazette part II no. 131 of 11/10/2018, also for the purpose of notifying their assignment to the debtors.
- Quality of the loans and receivables purchased:
At the time of the transfer, the loans and receivables were classified as performing on the basis of the criteria applied by the assignors in compliance with the Bank of Italy's regulations.

1) Progress of the transaction

The transaction is progressing regularly and no irregularities have emerged with respect to the contractual conditions.

2) Performance of the loans and receivables

Collections during the year amounted to Euro 119 million, higher than the amount foreseen by the business plan for the same period (Euro 72 million).

The variance is due to the fact that the collection forecasts do not take into account the possibility of early repayments.

Compliance with the indices shown below will be monitored once a quarter by the transaction's Asset

Monitor, who prepares a quarterly report at the covered bond issuer's request and analyses the following parameters:

- Nominal Value Test (test on nominal value): the total nominal value of the assets forming part of the cover pool has to be at least equal to the nominal value of the existing Covered Bonds;
- Net Present Value Test (test on net present value): the present value of the assets forming part of the cover pool, net of all transaction costs borne by the Guarantor, including the expected costs and charges of any derivative contracts hedging the financial risks taken out in connection with the transaction, must be at least equal to the net present value of the existing covered bonds;
- Interest Coverage Test (test on generated income): the interest and other income generated by the assets forming part of the cover pool, net of the Guarantor's costs, must be sufficient to cover the interest and costs payable by the issuing bank on the existing Covered Bonds, taking into account any derivative contracts hedging the financial risks taken out in connection with the transaction;
- Asset Coverage Test (test on loans): it verifies dynamically that the assets forming part of the cover pool, weighted differently depending on their type and quality, are able to guarantee the minimum level of over-collateralisation required by the rating agencies.

These parameters have always been complied with at the end of the year.

3) Other information on significant events

With reference to the segregated assets, it should be noted that, on 7 November 2018, with economic effects from 7 November 2018, Banco Di Desio and Della Brianza S.p.A. sold a new portfolio for a total consideration of Euro 165,070,907.58 and on 13 November 2018 made available to the Company a new Subordinated Loan for a principal amount equal to the purchase price of the new portfolio.

It should also be noted that on 7 November 2018, with economic effects from 7 November 2018, Banca Popolare Di Spoleto S.p.A. sold a new portfolio for a total consideration of Euro 248,563,122.49 and on 13 November 2018 made available to the Company a new Subordinated Loan for a principal amount equal to the purchase price of the new portfolio.

L.3 PARTIES INVOLVED

Issuer of the covered bonds	Banco di Desio e della Brianza S.p.A.
Guarantor of the covered bonds	Desio OBG S.r.l.
Assignors	Banco di Desio e della Brianza S.p.A. and Banca Popolare di Spoleto S.p.A.
Subordinated Lenders	Banco di Desio e della Brianza S.p.A. and Banca Popolare di Spoleto S.p.A.
Servicer	Banco di Desio e della Brianza S.p.A.
Sub-Servicer	Banca Popolare di Spoleto S.p.A.

Corporate Servicer	Securitisation Services S.p.A.
Guarantor Calculation Agent	Securitisation Services S.p.A.
Account Bank	BNP Paribas Securities Services
Guarantor Paying Agent	BNP Paribas Securities Services
Representative of the Covered Bond Holders	Securitisation Services S.p.A.
Back-Up Servicer Facilitator	Securitisation Services S.p.A.
Liability Swap Provider	BNP Paribas
Asset Monitor	BDO Italia S.p.A.
Quotaholder	Stichting Morricone
Stiching Corporate Services Provider	Wilmington Trust SP Services (London) Limited
Cash Manager	Banco di Desio e della Brianza S.p.A.
Test Calculation Agent	Banco di Desio e della Brianza S.p.A.
Issuer Paying Agent	Banco di Desio e della Brianza S.p.A.
Luxembourg Listing Agent	BNP Paribas Securities Services, Luxembourg branch.

Obligations of the assignor

At the date of the transfer, the Company, as guarantor and Banco di Desio e della Brianza S.p.A. and Banca Popolare di Spoleto S.p.A. as assignors, entered into two separate guarantee and indemnity agreements under which each assignor made certain declarations and guarantees in favour of the Guarantor in relation to the transferred loan and receivable portfolio and agreed to hold the Guarantor indemnified in relation to certain costs, expenses and liabilities that the latter might incur in relation to the purchase and ownership of the portfolio.

For an explanation of the other obligations of the assignor and of the other parties involved in the transaction in various capacities, reference should be made to paragraph L.4. Ancillary financial transactions.

Contractual relations between the parties

The Guarantor has entrusted management of the collections of the portfolios acquired to Banco di Desio e della Brianza S.p.A., as the Servicer, which has the task of monitoring the transaction according to Law no. 130/99 so that the transaction is carried out in compliance with the law and with the prospectus.

Collections of loans and receivables are made on the Desio Collection Account and the Spoleto Collection Account, both in the name of the Guarantor, opened at the Account Bank (BNP Paribas Securities Services).

Based on the Servicer's reports on the progress of the transaction and, more specifically, on collections of loans and receivables and other items involved in formation of the funds available to the Guarantor, Securitisation Services, as Guarantor Calculation Agent, distributes these funds at each payment date as fees and expenses to the various parties delegated to perform specific functions for the cover pool and for the remuneration of the subordinated loans. In paragraph L.4) below, there is a more complete examination of the funds available to the Guarantor and the order of priority that it has to comply with when making payments to the counterparties.

The management of administrative and accounting services has been entrusted to Securitisation Services, as the Guarantor Corporate Servicer.

The role of Representative of the Covered Bond Holders has been given to Securitisation Services.

L.4 CHARACTERISTICS OF THE ISSUES

The following information is provided on the bonds issued by Banco di Desio e della Brianza S.p.A., for which the vehicle company acts as Guarantor.

Series	1
ISIN code	IT0005277451
Common Code	167862977
Denomination	100,000 Euro
Issue date	12 September 2017
Expiry date	12 September 2024
Extended expiry date	12 September 2025
Foreign currency	Euro
Amount	575,000,000 Euro
Type of rate	Fixed
Coupon	0,875 %
Applicable law	Italian

Allocation of the flows coming from the loan portfolio

The allocation of the cash flows from the purchased loan and receivable portfolio follows the order established in the "Intercreditor Agreement" or Agreement between issuer creditors.

The funds on interest account available to the Guarantor are allocated according to the following order of priority.

Order of priority for the application of available funds on interest account:

- payment of corporate expenses and reintegration of the Retention Amount;
- payment of commission to the Representative of the Covered Bond Holders;
- payments of commission to the Company's agents for payment to the Liability Swap Provider;
- payment of the Reserve Fund Amount;
- allocation to available principal funds of an amount equal to the principal funds allocated to available interest funds at the previous payment dates and not yet reimbursed;
- payment to the Subordinated Lenders of the basic interest accrued on each loan;
- payment to the Liability Swap Provider of additional amounts due;
- payment to the Subordinated Lenders of the premium accrued on each loan.

Order of priority for the application of available principal funds:

- transfer of an amount equal to the possible shortfall that might occur at the current payment date, in the event that the interest funds available are insufficient for: the payment of corporate expenses, the reintegration of the Retention Amount, payment of commission to the Representative of the Covered Bond Holders and the other Agents of the Company, payment to the Liability Swap Provider and payment of the Reserve Fund Amount, in compliance with the applicable order of priority for interest;
- payment of the price for new portfolios of loans and receivables or other assets;
- any principal payments due to the Liability Swap Provider;
- reimbursement, if requested by the lenders and provided that this does not result in a violation of the Tests carried out by the Asset Monitor and the Test Calculation Agent of the Subordinated Loans;
- provision in the Desio Collection Account and the Spoleto Collection Account of funds not used for the items with the highest priority.

L.5 ANCILLARY FINANCIAL TRANSACTIONS

Interest rate risk hedging

On 19 July 2017, Desio OBG S.r.l. took out an Interest Rate Swap contract to hedge the interest rate

risk deriving from the misalignment between the flows of interest income on the Portfolio and the flows of interest expense on the second series of covered bonds issued by Banco of Desio e della Brianza S.p.A. as part of the programme which would have to be paid by the Guarantor in a scenario of Post Issuer Default. Note that starting from the Guarantor's first payment date a cash reserve was created for a sum of:

- the expenses of the Company to be paid on the next payment date;
- the commission of the Senior Agents to be paid on the next payment date;
- for each of the covered bonds not hedged by a Liability Swap, the coupons maturing in the following quarter;
- for each of the covered bonds fully hedged by a Liability Swap, the highest of the swap that the vehicle has to pay at the next payment date and the coupon maturing in the next quarter;
- for each of the covered bonds partially hedged by a Liability Swap, the highest of the swap that the vehicle has to pay at the next payment date and the coupon maturing in the next quarter for the part hedged by the Liability Swap and the coupon accruing in the next quarter for the part not hedged by the Liability Swap.

In the event of the issuer's default, this reserve therefore guarantees payment of the coupons on the covered bonds issued for the following quarter and of the guarantor's senior expenses.

L.6 OPERATIONAL POWERS OF THE ASSIGNEE COMPANY

Desio OBG S.r.l., as the assignee and guarantor, has operational powers that are limited by the articles of association. In particular, art. 3 establishes that:

“The Company's exclusive purpose is to purchase for a consideration from banks, in the context of one or more issues (i.e. both individual issues and issue programmes) of guaranteed bank bonds ("covered bonds") carried out pursuant to art. 7-bis of Law no. 130 of 30 April 1999, subsequent amendments and additions and related implementing provisions:

- (i) land loans and mortgage loans, also *en bloc*;
- (ii) receivables from public administrations or guaranteed by them, also *en bloc*;
- (iii) securities issued as part of securitisations involving the same type of receivables;
- (iv) other eligible assets or additional eligible assets that are permitted by the regulations mentioned above;

through the assumption of loans granted or guaranteed also by the assignor banks, as well as guaranteeing the bonds issued by these or other banks.

The Company will carry out the activities indicated above according to the terms, methods and conditions established by the law applicable to issues of covered bonds pursuant to art. 7-bis of Law 130 of 30 April 1999, and subsequent amendments and additions related to its implementation.

In accordance with the said law and art. 1180 of the Italian Civil Code, the loans, receivables and securities purchased by the Company and the sums paid by the related debtors are intended to satisfy

the rights of the holders of the covered bonds referred to in paragraph 1 of the art. 7-bis of Law 130 of 30 April 1999 and issued in the context of the issuing transactions in which the Company participates and for which the Company has provided a guarantee, of the counterparties of derivative contracts for the purpose of hedging the risks inherent in the loans, receivables and securities purchased and other ancillary contracts, as well as payment of the other transaction costs, as a priority with respect to the repayment of the loans granted or guaranteed also by the assigning banks pursuant to paragraph 1 of art. 7-bis of Law 130 of 30 April 1999.

The loans, receivables and securities purchased by the Company as part of each transaction or issue programme constitute assets (known as the "cover pool") that are to all effects separate from those of the Company and from those relating to other transactions or issue programmes; no legal action against these assets is permitted by creditors other than the bearers of the covered bonds issued and the additional creditors referred to in the previous paragraph.

To the extent permitted by the provisions of Law 130 of 30 April 1999 and the related implementing provisions, the Company may also carry out ancillary transactions to be stipulated for the provision of guarantees and for the successful completion of the transactions for the issuance of covered bank bonds and in the cases in which this is permitted by Law 130/99 and the related implementing provisions, and with the procedures and within the limits provided therein, carry out operations of reinvestment in other financial assets of funds deriving from the management of credits and securities purchased pursuant to this statute and not immediately used to meet the rights of the holders of covered bonds (issued in the context of these issuance transactions) and for payment of the transaction costs.

In the context of the issuance of guaranteed bank bonds in which it participates, in compliance with the provisions of Law 130/99 and the related implementing provisions, the Company may appoint third parties to collect the receivables purchased and for the provision of cash services. and payment and also perform any other activity permitted by art. 7-bis of Law 130/1999 and related implementing provisions.

All of the main operating activities related to the management of the operation have been entrusted to third parties (see point L.3).

QUANTITATIVE INFORMATION

L.7 FLOW DATA ON THE LOANS AND RECEIVABLES

Description	31 December 2018	From the start date to 31 December 2017
Balance of loans and receivables at the beginning of the year	785,160,512	0
Increases:		
Purchase of the loan and receivable portfolio from Banco Desio and Banca Popolare Spoleto	413,247,575	833,394,536
Other Increases, of which:		
Interest income accrued on loans	18,049,458	9,249,166
Default interest income	20,428	7,148
Penalties for early repayments	36,571	27,926
Write-backs to the write-down provision	0	72,136.15
ancillary income on instalments	53,692	21,158.00
Decreases:		
Customer collections	(117,074,388)	(55,328,751)
Other decreases, of which:		
Loan write-downs	(382,850)	(933,923)
Loan losses		
Out-of-period expenses		
Adjustment to amortised cost	387,028	(1,348,884)
Repurchases	(2,213,304)	
Balance of loans and receivables at the end of the year	1,097,284,71	785,160,512

It should be noted that during the year just ended, the Transferor, pursuant to art. 11 of the Sale Agreement, exercised its repurchase option by individual loan. More specifically, the Transferor repurchased loans for a total of Euro 2,213,304.

Collections in portfolio flows differ from collections in cash flows, as they consider collections accrued in December, but transferred to the Company's current accounts by the Servicer during the first few months of 2019 for an amount of Euro 365,410, while it does not consider collections received in January 2018 in current accounts for Euro 164,048 but pertaining to the previous year.

L.8 CHANGES IN OVERDUE LOANS AND RECEIVABLES

Description	At 31/12/2018	At 31/12/2017
Balance of overdue loans and receivables at the beginning of the year	234,620	0
Purchase of loans and receivables	66,909	98,153
Amounts falling due in the year	75,707,363	37,005,806
Collection of loans and receivables due	(75,579,410)	(36,866,273)
Instalments renegotiated	0	(3,066)
Balance of overdue loans and receivables at the end of the year*	429,482	234,620

* the balance of overdue loans and receivables corresponds to items A1 and f of Table L.1.

The collection and recovery of overdue loans and receivables is entrusted to Banco di Desio e della Brianza S.p.A. and to Banca Popolare di Spoleto S.p.A. on the basis of the “*Servicing Agreement*” and the “*Sub-Servicing Agreement*”.

The *Servicer* and the *Sub-Servicer* continue during the course of the operation to monitor the loans and receivables and implement the recovery measures as provided for in the *Servicing* and *Sub-Servicing Agreements*.

L.9 CASH FLOWS

Inflows	At 31/12/2018	At 31/12/2017
1. Balance on current accounts at the beginning of the year	51,712,564	0
2. Subordinated loan received	0	831,309,426
3. Collections on loans and receivables transferred by the Servicer and credited to current accounts	119,073,616.53	55,164,703
4. Positive swap differential	3,247,863	0
Total inflows during the year	174,034,043	886.474.129
Outflows	At 31/12/2018	At 31/12/2017
1. Price of the portfolio		831,309,426
2. Reintegration of the Retention Amount	43,087	58,115
3. Interest expense and commission charged in current accounts	0	0
4. Payment of interest expense on loan	4,237,369	1,189,004
5. Payment of commission to counterparties	623,800	203,473
6. Negative swap differential	1,466,654	203,992
7. Payment of additional remuneration	14,854,628	1,797,556
Total outflows during the year	21,225,538	834,761,565

The difference between the inflows and outflows of € 152,808,505 represents the balance on current accounts at 31 December 2018 (item B.3 of the summary statement of securitised assets and loans

received). Note that certain financial transactions referred to in the tables above were carried out by offsetting debit and credit flows: in particular, payment of the transfer price of the portfolio was offset against disbursement of the related loan.

The actual amounts collected in 2018 amount to Euro 119.287 million, which is higher than the total amount expected to be collected (Euro 72.9 million). The variance is due to the fact that the collection forecasts do not take into account the possibility of early repayments.

On the basis of the financial plans provided by the Servicer, it is expected that the collections deriving from the loans and receivables will amount to approximately Euro 100.488 million during the course of 2019; this figure does not include any repurchases or early repayments.

L.10 SITUATION OF GUARANTEES AND CASH LINES

At 31 December 2018 there are no guarantees or cash lines.

L.11 BREAKDOWN BY RESIDUAL LIFE

Residual life	Balance of loans and receivables in 2018
01) Up to 3 months	63,225
02) From 3 months to 1 year	1,202,686
03) From 1 to 5 years	40,686,576
04) Over 5 years	1,055,963,883
Total loans and receivables at the end of the year:	1,097,916,370

The above table shows the total residual debt at 31 December 2018, which in the statement L.1 corresponds to item A.1 a) and f) net of advances of principal.

L.12 BREAKDOWN BY GEOGRAPHICAL AREA

Geographical area	Amount
Italy	1,097,916,370
Total loans and receivables at the end of the year:	1,097,916,370

The above table shows the total residual debt at 31 December 2018, which in the statement L.1 corresponds to item A.1 a) and f), net of advances of principal.

L.13 RISK CONCENTRATION

Classes of amount (euro)	Balance of loans and receivables in 2018
01) 0 - 25,000	11,100,577
02) 25,001 - 75,000	233,303,552
03) 75,001 - 250,000	726,960,343
04) Over 250,000	126,551,898
Total loans and receivables at the end of the year:	1,097,916,370

The above table shows the concentration of risk. The total outstanding debt at 31 December 2018 corresponds in the statement L.1 to item A.1 a) and f) net of the principal advances on loans and receivables.

At 31 December 2018 there are no loans and receivables whose principal due is greater than 2% of the total amount of loans and receivables in portfolio.

Conegliano, 6 February 2019

DESIO OBG SRL
The Chairman of the Board of Directors
 Carlo Maria Rebay

INDEPENDENT AUDITORS' REPORT PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010

**To the Shareholders of
Desio OBG S.r.l.**

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Desio OBG S.r.l. (the Company), which comprise the balance sheet as at 31 December 2018, the income statement and statement of cash flows for the year then ended and the explanatory notes.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with the Italian law governing financial statements.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

We draw attention to the Attachment No. 1 of explanatory notes to the financial statements where Directors indicate that the Company's sole activity is the purchase of receivables by taking on loans under Italian Law No. 130 of April 30, 1999, as a part of transactions for the issue of covered bonds. As explained by the Directors, the Company has reported the financial assets purchased and the other transactions carried out as part of transactions for the issue of covered bonds in explanatory notes in compliance with Italian Law No. 130 of April 30, 1999, whereby receivables relating to each transaction are accounted for separately for all intents and purposes from those of the company and from those of other transactions. Our opinion is not qualified in relation to this matter.

Responsibilities of the Directors for the Financial Statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with the Italian law governing financial statements, and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or the termination of the business or have no realistic alternatives to such choices.

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Palermo Parma Roma Torino Treviso Verona

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14, paragraph 2 (e) of Legislative Decree 39/10

The Directors of Desio OBG S.r.l. are responsible for the preparation of the report on operations of Desio OBG S.r.l. as at 31 December 2018, including its consistency with the related financial statements and its compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations with the financial statements of Desio OBG S.r.l. as at 31 December 2018 and on its compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the report on operations is consistent with the financial statements of Desio OBG S.r.l. as at 31 December 2018 and is prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by

Maurizio Ferrero
Partner

Milan, Italy
25 February 2019

This report has been translated into the English language solely for the convenience of international readers.