

DIRECTORS' REPORT ON OPERATIONS

1. Business activity

The Company was established on February 27, 2017 pursuant to Law no. 130 of April 30, 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 April 30, 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 transferring 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 perform 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 mentioned law and art. 1180 of the Italian Civil Code, the loans, receivables and securities purchased by the Company and the amounts 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 deriving from the management of the loans, receivables and securities purchased pursuant to these Articles of Association and not immediately 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 entrust 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.

According to Legislative Decree no. 141 of August 2010, as amended by Legislative Decree no. 218 of December 2010, "the relevant provisions 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, since 2017 the Company has been taking part in a programme for the issue of covered bonds on the part of the Banco di Desio and 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 are 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 as at December 31, 2017 ended 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 during 2017

The global economy is still strongly expanding around the world; however, there is still remaining a general underlying weakness of inflation. Short-term growth prospects are favourable. However, uncertainty remains high regarding to economic policies at a global level. Any commercial protection initiatives could have impact on international trade.

Growth prospects are improved even more in the Eurozone. Deflation expectations have completely returned, but inflation is still very low (1.4% y/y in December). The Governing Board of the European Central Bank (ECB) has recalibrated its instruments of monetary policy, while retaining in very expansive monetary conditions - also for the future - which remain the necessary for a lasting return of inflation to levels below but close to 2%.

The favourable trend in Italy of has been confirmed, but it is still lower than the European average at the last few quarters. The increase appears to have involved services and manufacturing in particular. Surveys indicate that the confidence to the business has returned to pre-recession levels; they also suggest favourable conditions for capital accumulation. These assessments are confirmed by the fact that there was an acceleration in investment expenses in the second half of the year.

Exports grew in the third quarter of 2017; companies also have a favourable opinion about the trend of orders from abroad.

Employment continued to improve in the third quarter and, according to the most recent economic indicators, in the last few months of the year is still growing; the number of hours worked per person are also increased. However, they are still lower than pre-crisis levels.

Even though producer prices have recovered, consumer price inflation in Italy remains weak (1.0% y/y in December). Loans to households are expanding rapidly; loans to businesses, especially manufacturers, are also on the rise. The demand for bank credit by companies is currently being limited by the fact that they tend hold considerable amounts of cash and if they need more, they tend to issue bonds.

The quality of bank credit continues to improve, favoured by the higher growth. The flow of new non-performing loans in proportion to total loans has fallen to 1.7%, below the levels that were recorded before the global crisis; the proportion of non-performing loans on total loans has decreased (for large groups from 8.2 to 7.8%, net of adjustments), largely thanks to sales of doubtful loans. As a result the capital ratios of banks are improved.

Among the risks that weigh this scenario, the most important are those that derive from the international scene and financial market performance. The increase of global tensions or the uncertainty about economic policies in different areas could result in a more volatile financial market and higher risk premiums, which would have a negative impact in the Eurozone's economy.

Compared with previous scenarios, between the various domestic risks, those linked to the weakness of the banking system and the possible aggravation of uncertainty of the families and businesses regarding the intensity of the current recovery have been reduced. However, the situation mentioned above depends on the

continuation of economic policies that are able, on the one hand, to help long-term economic growth, supporting capital investment and consumption decisions and, on the other, to ensure credibility to the process of reducing the public debt, taking advantage of the current favourable moment in the global economy.

3. Significant events during the financial year

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

Regarding to the cover pool, the outstanding covered bond transaction went ahead regularly.

The Programme was launched in 2017. In particular, on July 5, 2017, pursuant to arts. 4 and 7-bis of the Securitisation and Covered Bond Law, the Company, as Guarantor, purchased without recourse from Banco di Desio e della Brianza S.p.A. and Banca Popolare di Spoleto S.p.A. a performing residential mortgage loan portfolio *en bloc* deriving from loan agreements stipulated by the assignors with individuals as part of their commercial activity.

The consideration for these loans paid by the Company to the assignors are, respectively, Euro 582,522,028.94 for the receivables purchased from Banco di Desio e della Brianza S.p.A. and Euro 248,787,397.10 for the receivables purchased from Banca Popolare di Spoleto S.p.A.

The Company's purchase of the initial portfolio of receivables under the Programme was financed through two Subordinated Loans granted by the assignors for an amount equal to the consideration for the receivables assigned to the Company.

On September 12, 2017, Banco di Desio e della Brianza S.p.A. issued the first series of covered bonds for an amount of Euro 500,000,000. On 31 October 2017, the first series was increased by Euro 75,000,000 to a total of Euro 575,000,000.

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.

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

As regards the Company's assets, given the Company's type of activity, we think that there is no additional information needed compared to those illustrated in the Explanatory Notes.

In particular, regarding to the performance indicators, we do not think that they are significant related to the Company's assets, while regarding the performance of the cover pool, reference should be seen at Attachment 1 of the Notes.

5. Significant subsequent events

In January 2018, the Company, BNP Paribas Securities Services - Milan Branch, as the Account Bank, and Banco di Desio e della Brianza S.p.A., as the Issuer, reached an agreement under which the negative interest accrued on the amounts credited to the accounts opened by the Company at the Account Bank would from 2018 be debited by it to the Issuer, and would no longer be charged to the Company and therefore not to be considered in the expenses related to the Programme, also for the purpose of preparing the Tests.

6. Outlook for the year

Management will continue the current operations regularly.

7. Business as a going concern

During the preparation of the financial statements, was made an assessment about 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 realize one or more securitisation transaction in accordance with Law no. 130 of April 30, 1999.

Consequently, these financial statements have been prepared on a going-concern basis, i.e. with a view to continuing activity, 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 hold any shares of its own or of the parent company, neither directly nor through trust companies.

B) Research and development activities

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

C) Related party transactions

Transactions with related party involving the Company's assets have not occurred during the financial year. For additional information about 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

The Company is in 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 information as at December 31, 2016 of Banco di Desio e della Brianza S.p.A. expressed in thousands of euro is shown below:

Balance sheet

Amounts in thousands of Euro	31.12.2016
Total assets	12,365,903
Financial assets	1,870,808
Due from banks	112,838
Loans to customers	9,720,108
Property, plant and equipment	181,201
Intangible assets	17,843
Due to banks	962,245
Due to customers	8,729,591
Debt securities in issue and Financial liabilities designated at fair value through profit and loss	1,409,792
Shareholders' equity (including Net profit/loss for the period) ⁽¹⁾	868,120
Own Funds	1,084,987
Total indirect deposits	13,474,129
of which: indirect deposits from ordinary customers	8,415,302
of which: indirect deposits from institutional customers	5,058,827

Income statement ⁽²⁾

Amounts in thousands of Euro	31.12.2016
Operating income	422,004
of which: Net interest income	236,192
Operating costs	275,224
Result of operations	146,782
Profit (loss) from operations after tax	37,807
Non-recurring profit (loss) after tax	-12,270
Net profit for the period ⁽¹⁾	25,551

⁽¹⁾ pertaining to the Parent Company;

⁽²⁾ from the Reclassified income statement.

E) Information on risks and related hedging policy

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

Liquidity risk

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

Interest rate risk

The Company has no financial assets and liabilities that are related to significant interest rate risks.

Exchange rate risk

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

Credit risk

The receivables of the Company are mainly recharged to the cover pool because of the effect of operating costs. Regarding to the collection forecasts of receivables in the cover pool and the priority with which these collections are allocated to pay the receivables, there are no risks regarding their recoverability.

F) Tax treatment of the cover pool

Pursuant to circular 8/E of February 6, 2003, any income or capital gained by management of 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 March 29, 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.

Only at the end of the covered bond transaction the Company would attract taxation for possible financial resources, which should be the recipient once all the creditors of the cover pool have been satisfied.

G) Secondary offices

The Company does not have any secondary offices.

H) Employees

The Company does not have any employees.

Conegliano, February 6, 2018

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

DESIO OBG S.R.L.

Financial statements as at 31/12/2017

Company data	
Head office in	via Vittorio Alfieri, 1 CONEGLIANO TV
Tax code	04864650264
Chamber of Commerce (REA) Number	TV 404888
VAT NUMBER	04864650264
Share capital	Euro 10,000 fully paid
Legal form	LIMITED LIABILITY COMPANY
Main sector of activity (ATECO)	649940
Company in liquidation	no
Company with sole shareholder	no

Amounts are expressed in Euro

Balance sheet	31/12/2017
Assets	
B) Fixed assets	
I - Intangible assets	1,576
<i>Total fixed assets (B)</i>	1,576
C) Current assets	
IV - Cash and cash equivalents	50,339
<i>Total current assets (C)</i>	50,339
D) Accrued income and prepaid expenses	8,295
<i>Total assets</i>	60,210
Liabilities	
a) Shareholders' equity	
I - Share capital	10,000
<i>Total shareholders' equity</i>	10,000
D) Payables	45,413
due within 12 months	45,413
E) Accrued expenses and deferred income	4,797
<i>Total liabilities</i>	60,210

Income statement	31/12/2017
A) Value of production	
5) other income	-
other	68,266
<i>Total other income</i>	68,266
<i>Total value of production</i>	68,266
B) Production costs	
7) services	60,217
10) amortisation, depreciation and write-downs	-
a/b/c) amortisation of intangible assets and depreciation of tangible assets, other write-downs	394
a) amortisation of intangible assets	394
<i>Total amortisation, depreciation and write-downs</i>	394
14) other operating charges	1,464
<i>Total</i>	62,075
Difference between value and costs of production (A - B)	6,191
Profit before taxes (A-B+-C+-D)	6,191
20) income taxes, current and deferred tax assets and liabilities	
current taxes	6,191
<i>Total income taxes, current and deferred tax assets and liabilities</i>	6,191

Explanatory notes to the financial statements as at 31-12-2017

Explanatory notes - introduction

Shareholders, these explanatory notes form an integral part of the financial statements as at 31/12/2017.

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 Organization; 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 Provision of 07 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 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 transferring banks, as well as underwriting for 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 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.

Company's operations

The contents of the balance sheet and the income statement, in a limited way represent the Company's operations, are therefore those mentioned above 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 explanation 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

As mentioned above, the Company applies the Bank of Italy's instructions of 15 September 2015 to prepare the following financial statements.

As a result, the financial assets purchased and the other transactions carried out as part of the covered bond operation are represented in a specific prospectus and explained in a specific attachment to the notes and do not form part of the 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 cover pool that is to all effects separate from that of the company and from that relating to other transactions".

In details, with reference to the covered bond operation the following requirements are fulfilled:

- a) the accounting information relating to each issue of covered bonds is shown separately in specific attachments to the explanatory notes;
- b) the attachments contain the qualitative and quantitative informations 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 loans received; (iii) accounting information; (iv) qualitative information; (v) quantitative information pertaining to the covered bond operation.

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.

It is noted 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 entities 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 2017, as well as the fair value measurement of derivatives existing at the date of first-time application of the decree.

Please 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 details, referred to the attachment in the notes, in the paragraph "Information on the summary prospectus".

Preparation of the financial statements

The information contained in this document is presented in the order in which the relevant items are indicated in the balance sheet and in the income statement. Referred 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 referred 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 prepared in euro.

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 are recognized 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 provided.

Measurement of items in foreign currencies

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

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

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.

Intangible assets

They are composed only by 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

The table shows the changes in intangible assets

	Start-up and expansion cost	Total intangible assets
Opening balance	1,970	1,970
Change during the year		
Amortisation for the year	394	394
Total changes	(394)	(394)
Closing balance		
Cost	1,576	1,576
Book value	1,576	1,576

Current assets

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

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 credit impairment.

For loans and receivables in which is applied the amortised cost 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 criterion, in the event that transaction costs, commissions and any other difference between the initial value and the maturity value is immaterial, 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.

Cash and cash equivalents

Cash and cash equivalents are valued at nominal value.

	Opening balance at the start of period	Changes during the year	Closing balance
Bank and postal deposits	0	50,339	50,339
Total cash and cash equivalents	0	50,339	50,339

The amount consists of temporary cash balances on bank accounts held by the Company for its own operations; these are short-term debts.

Accrued income and prepaid expenses

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

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 INCOME AND PREPAID EXPENSES</i>		
	ACCRUED INCOME	4,797
	PREPAID EXPENSES	3,498
	Total	8,295

"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 December 2017, 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 shareholders' equity

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

Shareholders' equity

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 shareholders' equity items

	Other changes	
	Increases	Closing balance
Capital	10,000	10,000
Total shareholders' equity	10,000	10,000

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

Availability and use of shareholders' equity

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

	Amount	Origin / nature
Share capital	10,000	Capital
Total	10,000	

	Capital	Total
Balance at 27/02/2017	0	0
<i>Allocation of net profit of the year:</i>		
- To dividend	-	-
- Other	-	-
<i>Other changes:</i>		
- Loss coverage	-	-
- Share capital payment	10,000	10,000
- Distribution to shareholders	-	-
- Other changes	-	-
Result of the year 2017	-	-
Balance as at 31/12/2017	10,000	10,000

Payables

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

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

	Changes during the year	Closing balance	Portion due within 12 months
Advances	21,827	21,827	21,827
Due to suppliers	16,787	16,787	16,787
Taxes payable	6,799	6,799	6,799
Total payables	45,413	45,413	45,413

The amounts "due to suppliers" refer to invoices for services rendered in 2017 (i) received and not paid yet at the end of the year and (ii) not received yet 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 amounts due to the tax authorities for withholding taxes and IRES provisions calculated at a rate of 27.5%, while for IRAP provisions, the rate applied is 5.57%.

Accrued expenses and deferred income

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

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

Description	Detail	Amount in current year
<i>ACCRUED EXPENSES AND DEFERRED INCOME</i>		
	ACCRUED EXPENSES	4,797
	Total	4,797

"Accrued expenses" include the cost for the administrative and corporate management of the securitisation vehicle, calculated on an annual basis, accruing up to 31 December 2017, for which the supplier will issue an invoice next year.

Explanatory notes - income statement

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: characteristics, ancillary operations and financial management.

The characteristics of the activity 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 covered bond 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

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

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.

Current and deferred income taxes

Reconciliation between the theoretical and effective tax charge

Detail	Taxable income	Rate %	Tax
THEORICAL IRAP	6,191	5.57%	345
Increases			
Deferred charges	394	5.57%	22
Directors' remuneration	10,032	5.57%	559
Non-deductible administrative costs	6,147	5.57%	342
Decreases			
Flat deduction	(6,751)	5.57%	(376)
EFFECTIVE IRAP	16,013	5.57%	892

Detail	Taxable income	Rate %	Tax
THEORICAL IRES	6,191	27.50%	1,703
Increases			
Tax add-back (audit fee)	13,078	27.50%	3,596
Decreases			
Out-of-period income/expenses	0	27.50%	0
EFFECTIVE IRES	19,269	27.50%	5,299

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

The Company has prepared a cash flow statement which is the summary document that links the changes occurring 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.

Cash flow statement (indirect method)

	Amount as at 31/12/2017
A) Cash flows generated by operations (indirect method)	
Amortisation and depreciation	394
Income taxes	6,191
<i>1) Net profit (loss) before taxes, interest, dividends and capital gain/losses on disposal</i>	<i>6,575</i>
<i>2) Cash flow before changes in net working capital</i>	<i>6,575</i>
Change in net working capital	
Decrease/(Increase) in accrued income and prepaid expenses	(8,295)
Increase/(Decrease) in accrued expenses and deferred income	4,797
Other decreases/(other increases) in net working capital	45,413
<i>Total changes in net working capital</i>	<i>41,915</i>
<i>3) Cash flow after changes in net working capital</i>	<i>48,490</i>
Other changes	
(Income taxes paid)	(6,191)
<i>Total other changes</i>	<i>(6,191)</i>
Cash flow generated by operations (A)	42,299
B) Cash flow generated by investing activity	
Intangible assets	(1,970)
Cash flow generated by investing activity (B)	(1,970)
C) Cash flow generated by financing activity	
Shareholders' 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)	50,339
Cash and cash equivalents at the end of the year	
Total cash and cash equivalents at the end of the year	50,339

Explanatory notes - other information

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

Employment data

The Company did not have any personnel employed during the year.

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

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.

	Directors
Remuneration	9,123

Extraordinary revenues or expenses

There are no extraordinary revenues or expenses.

Audit fees

An annual fee of Euro 16,000 (net of VAT, reimbursement of expenses and ISTAT adjustment) is paid to the audit firm Deloitte & Touche S.p.A. for auditing the financial statements, checking that the books were kept properly, signing the tax returns (IRES, IRAP and Model 770) and for translating the financial statements as at December 31 (including the audit report).

Categories of shares issued by the Company

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

Securities issued by the Company

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 on other financial instruments issued by the Company

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 potential liabilities not shown on the balance sheet

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

Assets and loans to be used for a specific deal

The specific purpose of the Company is to carry out covered bond issues which, as mentioned in the introduction of the notes, are shown in accordance with the previous provisions issued specifically by the Bank of Italy, as explained in the attachment of these notes, which is referred to:

Attachment 1.

Each attachment refers to a single covered bond transaction.

Information on transactions with related parties

With reference to the Company's operations, for the purposes of current legislation, no transactions were carried out with related parties during the year.

With reference to the covered bond transaction, reference should be made to paragraph L.2 of Attachment 1 to the notes where there is a complete list of the parties concerned.

Information on agreements not shown in the balance sheet

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

Information on significant events occurring after the end of the financial year

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.

Information on derivatives pursuant to art. 2427-bis of the Italian Civil Code

No derivative financial instrument has been signed in connection with the Company's operations.

Summarised financial statements of the Company that exercises management and coordination activities

Pursuant to art. 2497-bis para. 4 of the Italian Civil Code, we can confirm that the Company is subject to management and coordination by Banco di Desio e della Brianza S.p.A..

The consolidated information of Banco di Desio e della Brianza S.p.A. as at December 31, 2016 expressed in thousands of euro is

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.

shown below:

VALORI PATRIMONIALI

	31.12.2016
Totale attivo	12.365.903
Attività finanziarie	1.870.808
Crediti verso banche	112.838
Crediti verso clientela	9.720.108
Attività materiali	181.201
Attività immateriali	17.843
Debiti verso banche	962.245
Debiti verso clientela	8.729.591
Titoli in circolazione e Passività finanziarie valutate al fair value	1.409.792
Patrimonio (incluso l'Utile d'esercizio) ⁽¹⁾	868.120
Fondi Propri	1.084.987
Raccolta indiretta totale	13.474.129
di cui Raccolta indiretta da clientela ordinaria	8.415.302
di cui Raccolta indiretta da clientela istituzionale	5.058.827

VALORI ECONOMICI ⁽²⁾

	31.12.2016
Proventi operativi	422.006
di cui Margine di interesse	236.192
Oneri operativi	275.224
Risultato della gestione operativa	146.782
Risultato corrente al netto delle imposte	37.807
Utile (Perdita) non ricorrente al netto delle imposte	-12.270
Utile d'esercizio ⁽¹⁾	25.551

⁽¹⁾ di pertinenza della Capogruppo;
⁽²⁾ da Conto economico riclassificato.

Proposal to allocate profits or to cover losses

Shareholders,

The financial statements has closed at break-even, so there are no profits to be allocated.

Explanatory notes - conclusion

Shareholders,

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 as at December 31, 2017, as

prepared by the Board of Directors.

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

Conegliano, 06/02/2018

Desio OBG S.r.l.

The Chairman of the Board of Directors

Carlo Maria Rebay

ATTACHMENT NO. 1**INFORMATION ON THE SECURITISATION OF LOANS AND RECEIVABLES****Section 1 - SPECIFIC REFERENCES ON THE PERFORMED ACTIVITIES****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 December 15, 2015, as modified by the provision of December 9, 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, subsequently purchased portfolio and the resources obtained for its purchase in the form of subordinated loans from the assignor bank.

Amount of the loans and receivables purchased

Purchase date	Nominal value	Loss provision	Amortised cost difference	Transfer price
July 05, 2017	833,394,535.78	(723,512)	(1,348,884)	831,309,426.04
Total loans and receivables purchased	833,394,535.78	(723,512)	(1,348,884)	831,309,426.04

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 equal amount to the transfer price, are subject to interest to be paid on each payment date, equal to an amount corresponding to the sum of:

- the amount (known as the "Basic Interest") that is calculated by multiplying the amount of each subordinated loan disbursed for the applicable rate and the days corresponding to the relevant maturity period.
 - o the amount (known as the "Premium") equal to the difference between the funds available on interest account, deriving from the loans and receivables collected and transferred by each of the two originators, the guarantor and all other amounts (attributed pro-shares according to the contractual documentation to each of the two

subordinated lenders), whose payment is due in priority under the order of priority of payments.

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 the capital account, in condition that such payment does not result in a breach of the tests contained in the contracts.

Section L is dedicated to the information of the covered bond transaction.

INFORMATION ON THE SUMMARY TABLE

The structure and form of the summary table are in line with those provided by the Bank of Italy's Provision of March 29, 2000, "Financial statements of the companies for securitisation of receivables".

It should be noted 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 allow the reconciliation of these financial statements with the other financial information that the Company is required to produce.

In particular, the valuation criteria adopted for the most significant items are mentioned below.

The items that are linked to the securitised loans and receivables correspond to the values taken from the accounting and the information system of the Servicer, Banco di Desio e della Brianza S.p.A.

The amounts are expressed in units of Euro.

A. Securitised assets

A.1 Loans and receivables

Loans and receivables have been recorded at the transfer value and are recognized in the course of the transaction as the net of the amounts received during the period. At the closing date, their value is adjusted to the presumable realization value based on the information provided by the Servicer. They include accrued income for the interest that is considered recoverable.

B. Use of funds available

B.3 Cash and bank accounts

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

B.4 Investments and cash equivalents

The item "Short term Investments" includes amounts already collected at the balance sheet date, but they are not credited to the Company's current accounts yet.

B.6 Other loans and receivables

Other loans and receivables include the payment made in advance so they are called "ordinary operations" to allow the Company to pay the operating expenses.

D. Loans received

The amount is recorded at nominal value.

E. OTHER LIABILITIES

Payables are recorded at nominal value.

The accrued expenses have been calculated according to their competence, applying the matching principle of costs and revenues in the same period.

Interest, commissions, income and expenses

Costs and revenues relating to the securitised assets, securities issued, interest, commissions, income and expenses that derive from the securitisation transaction are recorded in accordance with the accrual principle.

Derivative contracts

The differential on the Interest Rate Swap contract, stipulated for the purpose of hedging the risk of fluctuating interest rates, is recorded as expense or income according to the accrual principle.

Cover pool closure mechanism

From the Summary Table, table 1, it is clear 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 coincide with total liabilities of the cover pool.

RECONCILIATION TABLE 1

TOTAL ASSETS	837,850,048
TOTAL LIABILITIES	837,850,048
DIFFERENCE	0
PREVIOUS YEARS RESULTS	0
SECURITISATION RESULT FOR THE CURRENT YEAR	0

TABLE 1: SUMMARY STATEMENT OF SECURITISED ASSETS AND LOANS RECEIVED

TABLE L.1		31/12/2017
A.	Securitized assets	785,160,512
A.1	Loans and receivables	785,160,512
B.	Use of resources derived from receivable management	52,689,536
B.3	Cash and bank accounts	51,712,565
B.4	Investments and cash equivalents	164,048
B.5	Accrued income and prepaid expenses	791,096
B.6	Other loans and receivables	21,827
D.	Loans received	832,059,914
E.	Other liabilities	5,790,134
E.1	Suppliers for services rendered to the securitisation	55,494
E.2	Accrued expenses and deferred income	54,241
E.3	Payables to the Originator	5,680,399
G.	Fees and commissions charged for the operations	340,032
G.1	for the Servicing	252,335
G.2	for other services	87,697
H.	Other charges	9,578,940
H.1	Write-downs of loans and receivables	210,411
H.2	Interest expense*	9,335,212
H.4	Other charges	33,317
I.	Interest generated by securitized assets	9,277,472
L.	Other income	641,500
L.2	Write-backs to loans and receivables	72,136
L.3	Asset swap differential	541,438
L.4	Other income	27,926

* interest expense also includes the commission in cash on current accounts 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.

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

COMPOSITION OF THE MAIN ITEMS REFERRED IN TO THE ABOVE TABLE

STATEMENT L.1 - COMPOSITION OF THE ITEMS		31/12/2017
A.1	Loans and receivables	785,160,512
a.	Principal amount of loans and receivables due to expire	785,654,263
b.	Receivables in PTF for charges	437,207
c.	Receivables for default interest	973
d.	Receivables for accrued expenses	650
e.	Past due loan instalments – interest	59,108
f.	Past due loan instalments - principal	175,512
g.	Instalments in suspense - interest	5,300
h.	Accrued interest on mortgages	1,040,404
i.	Advances from customers	(2,234)
j.	Collective provision for loans and receivables	(586,014)
k.	Specific provision for loans and receivables	(275,773)
l.	Write-down of loans and receivables in c.a.	(1,348,884)
B.3	Cash and bank accounts	51,712,565
a.	Collection account Desio	35,038,891
b.	Collection account Spoleto	15,285,288
c.	Payment account	43
d.	Liquidity reserve account	1,388,343
B.4	Investments and cash equivalents	164,048
a.	Loans and receivables for interest to be received	164,048
B.5	Accrued income and prepaid expenses	791,096
a.	Accrued income on swaps	791,096
B.6	Other receivables	21,827
a.	Advances for ordinary management expenses	21,827
D.	Loans received	832,059,914
a.	Loans received	831,309,426
b.	Payables for subordinated loan	750,488
E.1	Suppliers for services rendered to the securitisation	55,494
a.	Suppliers for invoices to be received	49,058
b.	Suppliers	6,435
E.2	Accrued expenses and deferred income	54,241
a.	Accrued expenses	8,574
b.	Accrued expenses on swaps	45,667
E.3	Payables to the Originator	5,680,399
a.	Payables to assignor for servicing fee	130,766
b.	Advance payments	12,714
c.	Payables for additional remuneration	5,536,919
G.1	Servicing fees	252,335
a.	Servicing	252,335
G.2	Fees for other services	87,697
	Corporate expenses	68,266
	On-going expenses	19,431
H.1	Write-downs of loans and receivables	210,411
a.	Collective write-downs of loans and receivables	13,700
b.	Specific write-downs of loans and receivables	196,711
H.2	Interest expense	9,335,212
a.	Interest expense on subordinated loans	1,939,491
b.	Additional remuneration	7,334,475

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c.	Commission expense	61,246
H.4	Other charges	33,317
a.	Other charges and penalties	3
b.	Operating expenses	345
c.	Notary and legal fees	1,332
d.	Up-front expenses	31,637
I.	Interest generated by securitised assets	9,277,472
a.	Interest income on loans	9,249,166
b.	Default interest income	7,148
c.	Ancillary income on instalments	21,158
L.2	Write-backs to loans and receivables	72,136
a.	Write-backs from use of provision	72,136
L.3	Positive swap differential	541,438
a.	Expenses/income from swap	541,438
L.4	Other income	27,926
a.	Penalties on early repayments	27,926

QUALITATIVE INFORMATION

L.2 DESCRIPTION OF THE SECURITISATION AND ITS PROGRESS

Transaction date

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

This contract governs the transfer of the initial receivables portfolio and subsequent transfers that will be part of a single program 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 holders 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.

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

Assignors

- Name: BANCO DI DESIO E DELLA BRIANZA S.P.A.
- Legal form: Joint stock company
- Head office: Via Rovagnati 1, Desio (MB)
- Tax code and Companies Register: 01181770155
- Enrolment in Bank Register: 3440
- Name: BANCA POPOLARE DI SPOLETO S.P.A.
- Legal form: Joint stock company
- Head office: Piazza Pianciani 5, Spoleto (PG)
- Tax code and Companies Register: 01959720549
- Enrolment in Bank Register: 5134.2

Loans and receivables subject to transfer

Each one of the assignors have transferred without recourse, pursuant to art. 1 and 4 of Law no. 130 of April 30, 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 sold 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 details 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.

1) Progress of the transaction

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

2) Information on loans and receivables performance

The amount of collections during the year was Euro 55,328,751. The amount expected to be collected according to the business plan for the same period was Euro 37,099,707.

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

The compliance with the indices indicated below will be monitored quarterly by the transaction's Asset Monitor, who prepares a quarterly report on the request of the issuer of the OBG that analyzes the following parameters:

- Nominal Value Test: 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: the present value of the assets forming part of the cover pool, net of all transaction costs that burdens on the Guarantor, including the expected costs and charges of any derivative contracts hedging the financial risks taken out in relation with the transaction, must be at least equal to the net present value of the existing covered bonds;
- Interest Coverage Test: 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 relation with the transaction;
- Asset Coverage Test: 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 tests, as described above, at the end of the year have always been in compliance with the requirements].

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.

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Back-Up Servicer Facilitator	Securitisation Services S.p.A.
Liability Swap Provider	BNP Paribas
Asset Monitor	BDO Italia S.p.A.
Shareholder	Stichting Morricone
Stichting 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.

Other information related to significant events

No significant events involving the Company have occurred during the year.

Regarding to the cover pool, the outstanding covered bond transaction went ahead regularly.

The Programme was launched in 2017. In particular, on July 5, 2017, pursuant to arts. 4 and 7-bis of the Securitisation and Covered Bond Law, the Company, as Guarantor, purchased without recourse from Banco di Desio e della Brianza S.p.A. and Banca Popolare di Spoleto S.p.A. a performing residential mortgage loan portfolio *en bloc* deriving from loan agreements stipulated by the assignors with individuals as part of their commercial activity.

The consideration for these loans paid by the Company to the assignors are, respectively, Euro 582,522,028.94 for the receivables purchased from Banco di Desio e della Brianza S.p.A. and Euro 248,787,397.10 for the receivables purchased from Banca Popolare di Spoleto S.p.A.

The Company's purchase for the initial portfolio of receivables under the Programme was financed through two Subordinated Loans granted by the assignors for an amount equal to the consideration for the receivables assigned to the Company.

On September 12, 2017, Banco di Desio e della Brianza S.p.A. issued the first series of covered bonds for an amount of Euro 500,000,000. On October 31, 2017, the first series was increased by Euro 75,000,000 to a total of Euro 575,000,000.

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.

In January 2018, the Company, BNP Paribas Securities Services - Milan Branch, as the Account Bank, and Banco di Desio e della Brianza S.p.A., as the Issuer, have reached an agreement under which, starting from 2018, the negative interest accrued on the amounts credited to the accounts opened by the

Company with the Account Bank will be debited by to the Issuer, and no longer charged to the Company and therefore to be considered in the expenses related to the Programme, also for the purpose of preparing the Tests.

Obligations of the transferor

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. acting as originators, entered into two separate guarantee and indemnity agreements under which each originator 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 originator and of the other parties involved in the transaction in various capacities, reference should be seen to paragraph L.4. Ancillary financial transactions.

Contractual relations established between the parties involved

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 the transaction is carried out in compliance with the law and with the prospectus.

Loans and receivables are collected on the Desio Collection Account and the Spoleto Collection Account, both in the name of the Guarantor, opened at the Bank Account (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 commissions 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 detailed examination of the available funds to the Guarantor and the priority order has to comply with 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
Name	100,000 Euro
Issue date	September 12, 2017
Maturity date	September 12, 2024
Extended maturity	September 12, 2025
Currency	Euro
Amount	575,000,000 Euro
Type of rate	Fixed
Coupon	0,875 %
Applicable law	Italian

Allocation of the cashflows coming from the loan and receivable portfolio

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

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

The priority order for the application of available funds on interest account:

- payment of corporate expenses and reintegration of the Retention Amount;
- payment of commissions to the Representative of the Covered Bond Holders;
- payments of commissions 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 due to additional amounts;
- 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 commissions 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 priority order of applicable interests;

- 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 unused funds under the highest priority items.

L.5 ANCILLARY FINANCIAL TRANSACTIONS

Interest rate risk hedge

On July 19, 2017, Desio OBG s.r.l. has concluded 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 in a scenario of Post Issuer Default they should be paid by the Guarantor. It should be noted that starting from the Guarantor's first payment date a cash reserve was created equal to the sum of:

- expenses of the Company to be paid on the next payment date;
- commissions 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 next quarter;
- for each of the covered bonds completely hedged by a Liability Swap, the higher 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 the guarantor's senior expenses.

L.6 OPERATIONAL AUTHORITY 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 April 30, 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 transferring banks, as well as guaranteeing the bonds issued by these or other banks.

The Company will perform 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 and any subsequent amendments and additions as well as implementation instructions.

In accordance with the law mentioned above and art. 1180 of the Italian Civil Code, the loans, receivables and securities purchased by the Company and the amounts 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 April 30, 1999 and issued in the context of the issuing transactions in which the Company participates and for which the Company has provided a guarantee, for 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 April 30, 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 Law 130 of April 30, 1999 and related implementation, 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. 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 deriving from the management of the loans, receivables and securities purchased pursuant to these Articles of Association and not immediately 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 and related implementation, the Company can entrust 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.

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

QUANTITATIVE INFORMATION

L.7 INFORMATION OF LOANS AND RECEIVABLES FLOWS

Description	As at 31/12/2017
Balance of loans and receivables at the start of the year	0
Increases:	
Purchase of the loan and receivable portfolio from Banco Desio and Banca Popolare Spoleto	833,394,536
Other increases, of which:	
Interest income accrued on loans and receivables	9,249,166
Default interest income	7,148
Write-backs to the write-down provision	72,136
Ancillary income on instalments	21,158
Penalties on early repayments	27,926
Decreases:	
Collection from customers	(55,328,751)
Other decreases, of which:	
Writedown of loans and receivables(*)	(933,923)
Adjustment to amortised cost	(1,348,884)
Repurchases	
Balance of loans and receivables at the end of the year	785,160,512

(*) the amount also includes write-downs at the time of the transfer

Pursuant to art. 11 of the Transfer Agreement, signed on July 5, 2017, the Company has granted the Assignor the possibility to repurchase/sell to third parties one or more mortgage loans included in the loan and receivable portfolio.

This option was not exercised during 2017.

L.8 EVOLUTION OF OVERDUE LOANS AND RECEIVABLES

Description	As at 31/12/2017
Balance of overdue loans and receivables at the start of the year	-
Purchase of loans and receivables	98,152.83
Amounts matured in the financial year	37,005,806.23
Collection of loans and receivables due	(36,866,272.59)
Renegotiated instalments	(3,066.00)
Balance of overdue loans and receivables at the end of the year	234,620

* the balance of overdue loans and receivables corresponds to items A1 e 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.

During the course of the operation the Servicer and the Sub-Servicer continue 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	As at 31/12/2017
1. Current account balance at the start of the year	0
2. Subordinated loan received	831,309,426
3. Collections on loans and receivables transferred by the Servicer and credited to current accounts	55,164,703
Total Inflows during the year	886,474,129

Outflows	As at 31/12/2017
1. Price of the portfolio	831,309,426
2. Reintegration of the Retention Amount	58,115
3. Interest expense and commission charged in current accounts	0
4. Payment of interest expense on loan	1,189,004
5. Payment of commission to counterparties	203,473
6. Negative differential deriving from swap contracts	203,992
7. Payment of additional remuneration	1,797,556
Total outflows during the year	834,761,565

The difference between the inflows and outflows represents the balance on current accounts as at December 31, 2017 (item B.3 of the summary statement of securitised assets and loans received).

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

Collection reconciliation	
55,164,703	Collections credited in 2017 (F.9 cash flows)
164,048.25	Collections made in 2017, credited in 2018
55,328,751	Collections table F.7 Flow data on loans and receivables
55,328,751	Total collections

The actual amounts collected in 2017 amount to Euro 55.328 million, which is higher than the total amount expected to be collected (Euro 37.099 million).

The difference 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 72.9 million during the course of 2018, this date does not include any repurchases or early repayments.

L.10 SITUATION OF GUARANTEES AND CASH LINES

As at December 31, 2017 there are no guarantees or cash lines.

L.11 BREAKDOWN/ ALLOCATION BY RESIDUAL MATURITY

Residual maturity	Balance of loans and receivables of 2017
01) Up to 3 months	41,649
02) From 3 months to 1 year	750,593
03) From 1 year to 5 years	30,996,550
04) Over 5 years	754,032,478
Total loans and receivables at the end of the year	785,821,270

The above table shows the total residual debt as at December 31, 2017, 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	785,821,270
Total loans and receivables at the end of the year	785,821,270

The above table shows the total residual debt as at December 31, 2017, which in the statement L.1 corresponds to item A.1 a) and f), net of advances of principal.

L.13 RISK CONCENTRATION

Amount classes (euro)	Balance of loans and receivables in 2017
01) 0 - 25,000	6,199,618
02) 25,001 - 75,000	157,583,914
03) 75,001 - 250,000	522,056,827
04) Over 250,000	99,980,910
Total loans and receivables at the end of the year	785,821,270

The table above shows the concentration of risk. The total outstanding debt as at December 31, 2017 corresponds in the statement L.1 to item A.1 a) and f), net of the principal advances on loans and receivables.

As at December 31, 2017 there are no loans and receivables whose principal due is greater than 2% of the total amount of loans and receivables in portfolio.

Conegliano, February 6, 2018

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 2017, 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 2017, 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.

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 2017, 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

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 2017 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 2017 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
22 February 2018

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