

## 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 2019 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 2019**

World trade has started to expand again and there have been signs of easing in the tariff disputes between the United States and China, but the outlook remains uncertain and geopolitical tensions are increasing. However, less pessimistic expectations about growth, favoured by the accommodative orientation of the Central Banks, have pushed up share prices and facilitated a moderate recovery in long-term yields.

In Italy, the latest information available suggests that economic activity, having increased slightly in the third quarter of last year, remained almost stable in the fourth, continuing to suffer mainly from the weakness of the manufacturing sector.

Large quantities of Italian public securities were purchased by foreign investors during the year (90 billion between January and November last year).

The number of people in employment has increased slightly, especially in the services sector; available figures indicate some growth also in the latter months of the year.

Projections assume: modest growth in world trade, though recovering gradually; accommodative monetary conditions, consistent with the orientation confirmed by the Governing Council of the ECB; orderly trends on Italian financial markets, which translate into a low cost of credit for businesses.

However, growth is still exposed to significant risks, linked to increasing geopolitical uncertainty, with trade conflicts only partially settled and a weak performance in economic activity by our major European partners.

## **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.

It should also be noted that on 06 June 2019, with economic effects from 6 June 2019, Banco Di Desio e Della Brianza S.p.A. sold a new portfolio for a total consideration of Euro 195,304,356.86 and on 19 June 2019 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 06 June 2019, with economic effects from 6 June 2019, Banca Popolare Di Spoleto S.p.A. sold a new portfolio for a total consideration of Euro 147,890,701.58 and on 19 June 2019 made available to the Company a new Subordinated Loan for a principal amount equal to the purchase price of the new portfolio.

With reference to the year just ended, it should be noted that from 1 July 2019, following the absorption of Banco Popolare Di Spoleto S.p.A., Banco Desio took over all the roles and obligations involved in the Banco Popolare Di Spoleto S.p.A. Programme.

It should be noted that as part of this Programme, Banco Desio has approved the issue of a second series of covered bonds for the portfolio of loans assigned to the Company. This issue took place on 24 July 2019 for a nominal amount of Euro 500,000,000.00.

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 end of the 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**

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 2018 expressed in thousands of euros are shown below:

# CONSOLIDATED BALANCE SHEET

## ASSETS

Assets	31.12.2018
10. Cash and cash equivalents	69,219
20. Financial assets designated at fair value through profit and loss	60,188
a) Financial assets held for trading	8,186
c) Other financial assets that are necessarily measured at fair value	52,002
30. Financial assets designated at fair value through other comprehensive income	296,421
40. Financial assets measured at amortised cost	12,626,834
a) Due from banks	555,965
b) Loans to customers	12,070,869
50. Hedging derivatives	1
60. Adjustment to financial assets with generic hedge (+/-)	684
90. Property, plant and equipment	179,418
100. Intangible assets	17,701
of which:	
- goodwill	15,322
110. Tax assets	226,537
a) current	29,227
b) deferred	197,310
130. Other assets	131,033
<b>Total assets</b>	<b>13,608,036</b>

## LIABILITIES

Liabilities and shareholders' equity	31.12.2018
10. Financial liabilities measured at amortised cost	12,301,628
a) Due to banks	1,620,824
b) Due to customers	9,254,591
c) Debt securities in issue	1,426,213
20. Financial liabilities held for trading	6,046
40. Hedging derivatives	5,175
60. Tax liabilities	23,313
a) current	1
b) deferred	23,312
80. Other liabilities	273,634
90. Provision for termination indemnities	25,175
100. Provisions for risks and charges	36,745
a) commitments and guarantees given	2,377
c) other provisions for risks and charges	34,368
120. Valuation reserves	43,920
150. Reserves	729,024
160. Share premium reserve	16,145
170. Share capital	67,705
190. Minority interests (+/-)	44,266
200. Net profit (loss) for the period (+/-)	35,260
<b>Total liabilities and shareholders' equity</b>	<b>13,608,036</b>

## CONSOLIDATED INCOME STATEMENT

Captions	31.12.2018
10. Interest and similar income	270,937
of which: interest income calculated using the effective interest method	194,406
20. Interest and similar expense	(51,869)
<b>30. Net interest income</b>	<b>219,068</b>
40. Commission income	179,226
50. Commission expense	(13,570)
<b>60. Net commission income</b>	<b>165,656</b>
70. Dividends and similar income	3,196
80. Net trading income	537
90. Net hedging gains (losses)	58
100. Gains (losses) on disposal or repurchase of:	(14,737)
a) financial assets measured at amortised cost	(23,998)
b) financial assets designated at fair value through other comprehensive income	9,944
c) financial liabilities	(683)
110. Net result of other financial assets and liabilities designated at fair value through profit and loss	(3,072)
a) financial assets and liabilities designated at fair value	
b) other financial assets that have to be measured at fair value	(3,072)
<b>120. Net interest and other banking income</b>	<b>370,706</b>
130. Net value adjustments/write-backs for credit risk relating to:	(62,494)
a) financial assets measured at amortised cost	(63,104)
b) financial assets designated at fair value through other comprehensive income	610
140. Profit/losses from contractual changes without write-offs	(69)
<b>150. Net profit from financial activities</b>	<b>308,143</b>
<b>180. Net profit from financial and insurance activities</b>	<b>308,143</b>
190. Administrative costs:	(297,936)
a) payroll costs	(169,257)
b) other administrative costs	(128,679)
200. Net provisions for risks and charges	(1,435)
a) commitments for guarantees given	(417)
b) other net provisions	(1,018)
210. Net adjustments to property, plant and equipment	(7,255)
220. Net adjustments to intangible assets	(1,712)
230. Other operating charges/income	43,484
<b>240. Operating costs</b>	<b>(264,854)</b>
280. Gains (losses) on disposal of investments	
<b>290. Profit (loss) from current operations before tax</b>	<b>43,289</b>
300. Income taxes on current operations	(6,731)
<b>310. Profit (loss) from current operations after tax</b>	<b>36,558</b>
<b>330. Net profit (loss) for the period</b>	<b>36,558</b>
340. Net profit (loss) pertaining to minority interests	(1,298)
<b>350. Parent Company net profit (loss)</b>	<b>35,260</b>
	<b>31.12.2018</b>
Basic earnings per share (Euro)	0.27
Diluted earnings per share (Euro)	0.27



#### **E) 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, 30 January 2020

**DESIO OBG S.r.l.**  
*The Chairman of the Board of Directors*  
Carlo Maria Rebay

# DESIO OBG S.R.L.

## Financial statements at 31/12/2019

Company data	
Head office in	Via Vittorio Alfieri 1, Conegliano
Tax code	04864650264
Chamber of Commerce (REA) Number	TV 404888
VAT NUMBER	10537880964
Quota capital Euro	10,000 fully paid
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

## Balance sheet

	31-12-2019	31-12-2018
Balance sheet		
Assets		
B) Fixed assets		
I - Intangible assets		
1) start-up and expansion cost	788	1,182
Total intangible assets	788	1,182
Total fixed assets (B)	788	1,182
C) Current assets		
II - Receivables		
5-bis) tax receivables		
due within 12 months	6,343	6,862
Total tax receivables	6,343	6,862
Total receivables	6,343	6,862
IV - Cash and cash equivalents		
1) bank and postal deposits	40,022	22,088
Total cash and cash equivalents	40,022	22,088
Total current assets (C)	46,365	28,950
D) Accrued income and prepaid expenses	9,315	8,303
Total assets	56,468	38,435
Liabilities		
A) Quotaholders' equity		
I - Quota capital	10,000	10,000
IX - Net profit (loss) for the year	0	0
Total quotaholders' equity	10,000	10,000
D) Payables		
6) advances		
due within 12 months	19,718	5,659
Total advances	19,718	5,659
7) due to suppliers		
due within 12 months	19,215	16,221
Total due to suppliers	19,215	16,221
12) taxes payable		
due within 12 months	1,730	1,750
Total taxes payable	1,730	1,750
Total payables	40,663	23,630
E) Accrued expenses and deferred income	5,805	4,805
Total liabilities	56,468	38,435

## Income statement

	31-12-2019	31-12-2018
Income statement		
A) Value of production		
1) revenue from sales and services	0	0
5) other income		
other	74,259	73,204
Total other income	74,259	73,204
Total value of production	74,259	73,204
B) Production costs		
7) services	72,619	71,027
10) amortisation, depreciation and write-downs		
a) amortisation of intangible assets	394	394
Total amortisation, depreciation and write-downs	394	394
14) other operating charges	764	593
Total production costs	73,777	72,014
Difference between value and costs of production (A - B)	482	1,190
Profit before taxes (A - B + - C + - D)	482	1,190
20) Income taxes, current and deferred tax assets and liabilities		
current taxes	482	519
taxes relating to prior years	-	671
Total income taxes, current and deferred tax assets and liabilities	482	1,190
21) Net profit (loss) for the year	0	0

## Cash flow statement (indirect method)

	31-12-2019	31-12-2018
Cash flow statement (indirect method)		
A) Cash flows generated by operations (indirect method)		
Net profit (loss) for the year	0	0
Income taxes	482	1,190
1) Net profit (loss) before taxes, interest, dividends and capital gain / losses on disposal	482	1,190
Adjustments for non-monetary items without a contra-entry in net working capital		
Amortisation and depreciation	394	394
Total adjustments for non-monetary items without a contra-entry in net working capital	394	394
2) Cash flow before changes in net working capital	876	1,584
Change in net working capital		
Increase/(Decrease) in due to suppliers	2,994	(566)
Decrease/(Increase) in accrued income and prepaid expenses	(1,012)	(8)
Increase/(Decrease) in accrued expenses and deferred income	1,000	8
Other decreases/(other increases) in net working capital	14,558	(28,079)
Total changes in net working capital	17,540	(28,645)
3) Cash flow after changes in net working capital	18,416	(27,061)
Other changes		
(Income taxes paid)	(482)	(1,190)
Total other changes	(482)	(1,190)
Cash flow generated by operations (A)	17,934	(28,251)
Increase (decrease) in cash and cash equivalents (A ± B ± C)	17,934	(28,251)
Cash and cash equivalents at the beginning of the year		
Bank and postal deposits	22,088	50,339
Total cash and cash equivalents at the beginning of the year	22,088	50,339
Cash and cash equivalents at the end of the year		
Bank and postal deposits	40,022	22,088
Total cash and cash equivalent at the end of the year	40,022	22,088

# Explanatory notes to the financial statements at 31-12-2019

## Explanatory notes - introduction

Quotaholder, these explanatory notes form an integral part of the financial statements at 31/12/2019.

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.

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 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.

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/s are represented in accordance with the previous instructions issued specifically by the Bank of Italy, as explained in the attachment/s 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 cover pool that is to all effects separate from that of the company and from that 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.

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 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 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 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**

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**

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**

The table shows the changes in intangible assets.

	<b>Start-up and expansion cost</b>	<b>Total intangible assets</b>
<b>Opening balance at the start of the year</b>		
<b>Cost</b>	1,182	1,182
<b>Book value</b>	1,182	1,182
<b>Changes during the year</b>		
<b>Decreases due to sales and disposals (at book value)</b>	394	394
<b>Total changes</b>	(394)	(394)
<b>Closing balance at the end of the year</b>		
<b>Cost</b>	788	788
<b>Book value</b>	788	788

### **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 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 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.

## Changes and maturity of loans and receivables recorded under current assets

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.

	Opening balance at	Changes during the year	Closing balance at the end of the year	Portion due within 12 months
Tax receivables recorded under current assets	6,862	(519)	6,343	6,343
<b>Total receivables recorded under current assets</b>	<b>6,862</b>	<b>(519)</b>	<b>6,343</b>	<b>6,343</b>

"Tax receivables" refer to:

IRES and IRAP tax credits that can be separated from the tax provision for the year.

## Cash and cash equivalents

Cash and cash equivalents are valued at nominal value.

	Opening balance at the start of the year	Changes during the year	Closing balance at the end of the year
Bank and postal deposits	22,088	17,934	40,022
<b>Total cash and cash equivalents</b>	<b>22,088</b>	<b>17,934</b>	<b>40,022</b>

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

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	Current year amount
<b>ACCRUED INCOME AND PREPAID EXPENSES</b>		
	ACCRUED INCOME	5,805
	PREPAID EXPENSES	3,510
	<b>Total</b>	<b>9,315</b>

"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 31/12/2019, in accordance with the Administrative Services contract.

"Prepaid expenses" include costs for 2020 already invoiced at the closing date of these financial statements.

## Explanatory notes - liabilities and quotaholders' equity

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

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

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

### Availability and use of quotaholders' equity

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.

	Amount	Origin / nature
<b>Quota capital</b>	10,000	Capital
<b>Total</b>	10,000	

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

### 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.

	Opening balance at the start of the year	Changes during the year	Closing balance at the end of the year	Portion due within 12 months
<b>Advances</b>	5,659	14,059	19,718	19,718
<b>Due to suppliers</b>	16,221	2,994	19,215	19,215
<b>Taxes payable</b>	1,750	(20)	1,730	1,730
<b>Total payables</b>	23,630	17,033	40,663	40,663

The amounts "due to suppliers" refer to invoices for services rendered in 2019 (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 3.90%.

## 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 the items in question, as they are shown in the financial statements.

Description	Detail	Current year amount
<i>ACCRUED EXPENSES AND DEFERRED INCOME</i>		
	ACCRUED EXPENSES	5,805
	<b>Total</b>	<b>5,805</b>

"Accrued expenses" include the cost for the administrative and corporate management of the securitisation vehicle, calculated on an annual basis, accruing up to 31/12/2019, 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: 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**

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.

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

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

### **Current and deferred income taxes**

#### **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 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**

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

### **Employment data**

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**

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	19,861

### **Audit fees**

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

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

### **Categories of shares issued by the company**

This section of the notes is irrelevant because the quota 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 contingent liabilities not shown on the balance sheet**

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**

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**

Transactions with related parties took place during the year as part of the Company's operations; these transactions took place at market conditions, so based on current legislation, no further information has to be provided.

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**

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**

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**

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**

Please note that the Company belongs to the BANCO DESIO VAT Group and 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 financial statements of the company that exercises management control and coordination.



## CONSOLIDATED BALANCE SHEET

### ASSETS

Assets	31.12.2018
10. Cash and cash equivalents	69,219
20. Financial assets designated at fair value through profit and loss	60,188
a) Financial assets held for trading	8,186
c) Other financial assets that are necessarily measured at fair value	52,002
30. Financial assets designated at fair value through other comprehensive income	296,421
40. Financial assets measured at amortised cost	12,626,834
a) Due from banks	555,965
b) Loans to customers	12,070,869
50. Hedging derivatives	1
60. Adjustment to financial assets with generic hedge (+/-)	684
90. Property, plant and equipment	179,418
100. Intangible assets	17,701
of which:	
- goodwill	15,322
110. Tax assets	226,537
a) current	29,227
b) deferred	197,310
130. Other assets	131,033
<b>Total assets</b>	<b>13,608,036</b>

## LIABILITIES

Liabilities and shareholders' equity	31.12.2018
10. Financial liabilities measured at amortised cost	12,301,628
a) Due to banks	1,620,824
b) Due to customers	9,254,591
c) Debt securities in issue	1,426,213
20. Financial liabilities held for trading	6,046
40. Hedging derivatives	5,175
60. Tax liabilities	23,313
a) current	1
b) deferred	23,312
80. Other liabilities	273,634
90. Provision for termination indemnities	25,175
100. Provisions for risks and charges	36,745
a) commitments and guarantees given	2,377
c) other provisions for risks and charges	34,368
120. Valuation reserves	43,920
150. Reserves	729,024
160. Share premium reserve	16,145
170. Share capital	67,705
190. Minority interests (+/-)	44,266
200. Net profit (loss) for the period (+/-)	35,260
<b>Total liabilities and shareholders' equity</b>	<b>13,608,036</b>

## CONSOLIDATED INCOME STATEMENT

Captions	31.12.2018
10 Interest and similar income	270,937
of which: interest income calculated using the effective interest method	194,406
20. Interest and similar expense	(51,869)
<b>30. Net interest income</b>	<b>219,068</b>
40. Commission income	179,226
50. Commission expense	(13,570)
<b>60. Net commission income</b>	<b>165,656</b>
70. Dividends and similar income	3,196
80. Net trading income	537
90. Net hedging gains (losses)	58
100. Gains (losses) on disposal or repurchase of:	(14,737)
a) financial assets measured at amortised cost	(23,998)
b) financial assets designated at fair value through other comprehensive income	9,944
c) financial liabilities	(683)
110. Net result of other financial assets and liabilities designated at fair value through profit and loss	(3,072)
a) financial assets and liabilities designated at fair value	
b) other financial assets that have to be measured at fair value	(3,072)
<b>120. Net interest and other banking income</b>	<b>370,706</b>
130. Net value adjustments/write-backs for credit risk relating to:	(62,494)
a) financial assets measured at amortised cost	(63,104)
b) financial assets designated at fair value through other comprehensive income	610
140. Profit/losses from contractual changes without write-offs	(69)
<b>150. Net profit from financial activities</b>	<b>308,143</b>
<b>180. Net profit from financial and insurance activities</b>	<b>308,143</b>
190. Administrative costs:	(297,936)
a) payroll costs	(169,257)
b) other administrative costs	(128,679)
200. Net provisions for risks and charges	(1,435)
a) commitments for guarantees given	(417)
b) other net provisions	(1,018)
210. Net adjustments to property, plant and equipment	(7,255)
220. Net adjustments to intangible assets	(1,712)
230. Other operating charges/income	43,484
<b>240. Operating costs</b>	<b>(264,854)</b>
280. Gains (losses) on disposal of investments	
<b>290. Profit (loss) from current operations before tax</b>	<b>43,289</b>
300. Income taxes on current operations	(6,731)
<b>310. Profit (loss) from current operations after tax</b>	<b>36,558</b>
<b>330. Net profit (loss) for the period</b>	<b>36,558</b>
340. Net profit (loss) pertaining to minority interests	(1,298)
<b>350. Parent Company net profit (loss)</b>	<b>35,260</b>
	<b>31.12.2018</b>
Basic earnings per share (Euro)	0.27
Diluted earnings per share (Euro)	0.27

## **Proposal to allocate profits or to cover losses**

Quotaholder,

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

## **Explanatory notes - conclusion**

Quotaholder, 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 31/12/2019, 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, 30/01/2020

**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**

<b>Date of purchase</b>	<b>Nominal value</b>	<b>Loss provision</b>	<b>Amortised cost difference</b>	<b>Transfer price</b>
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
06 June 2019	344,458,371	(464,549)	(798,764)	343,195,058.44
<b>Total loans and receivables purchased</b>	<b>1,591,554,958</b>	<b>(1,643,110)</b>	<b>(1,760,620)</b>	<b>1,588,138,514</b>

***Detail of the loans and receivables purchased:***

Date of the transfer: 05/07/2017

Banco Desio:

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

Banca Popolare di Spoleto:

- Nominal value of loans and receivables of the first portfolio at the valuation date: Euro 249,306,548.33
- Transfer price of the first portfolio: Euro 248,787,397.10

Date of the transfer: 07/11/2018

Banco Desio:

- Nominal value of loans and receivables of the first portfolio at the valuation date: Euro 165,453,330.36
- Transfer price of the first portfolio: Euro 165,070,907.58

Banca Popolare di Spoleto:

- Nominal value of loans and receivables of the first portfolio at the valuation date: Euro 248,248,720.47
- Transfer price of the first portfolio: Euro 248,563,122.49

Date of the transfer: 06/06/2019

Banco Desio:

- Nominal value of loans and receivables of the first portfolio at the valuation date: Euro 196,018,656.41
- Transfer price of the first portfolio: Euro 195,304,356.86

Banca Popolare di Spoleto:

- Nominal value of loans and receivables of the first portfolio at the valuation date: Euro 148,439,714.84
- Transfer price of the first portfolio: Euro 147,890,701.58

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 key figures of the first issue of covered bonds completed by Banco Desio in the context of the Programme are summarised below, as shown in the following table:

Series	Tranche	Amount	ISIN	Common Code	Issue date	Expiry date	Type of rate	Rate	Coupon
1	1	500,000,000	IT0005277451	167862977	12.09.2017	12.09.2024	Fixed	0.875%	Annual

This first issue was increased on 31 October 2017, again on the initial portfolio, as shown in the following table:

Series	Tranche	Amount	ISIN	Common Code	Issue date	Expiry date	Type of rate	Rate	Coupon
1	2	75,000,000	IT0005277451	167862977	31.10.2017	12.09.2024	Fixed	0.875%	Annual

On 24 July 2019, a second issue of covered bonds was carried out, for which the figures are summarised below:

Series	Tranche	Amount	ISIN	Common Code	Issue date	Expiry date	Type of rate	Rate	Coupon
2	1	500,000,000	IT0005380446	203326343	24.07.2020	24.07.2026	Fixed	0.375%	Annual

## INFORMATION ON THE SUMMARY TABLE

As explained in part A.1 Section 1 and Section 2 "Transactions carried out", the structure and form of the summary table are in line with the Instructions issued by the Bank of Italy with the Provision of 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 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.

The write-down of loans and receivables is determined on the basis of IFRS 9, which requires that financial assets not measured in the financial statements at fair value through profit or loss, represented by debt securities and loans, are subject to the new impairment model based on expected credit losses (ECLs).

Based on the information provided by the servicer, the write-downs refer to the impairment of loans classified in Stage 1, Stage 2, Stage 3 according to changes in the debtor's creditworthiness. The following are included in:

Stage 1:

performing financial assets for which there has been no significant increase in credit risk compared with the initial recognition date or for which credit risk is considered low. The impairment is based on an estimate of expected loss over a time horizon of one year;

Stage 2:

performing financial assets that have suffered a significant increase in credit risk compared with initial recognition. The impairment is based on an estimate of the expected loss over a time horizon equal to the entire residual life of the financial asset.



Stage 3:

impaired financial assets (probability of default = 100%). The impairment is based on an estimate of the expected loss on the specific financial asset over its entire life.

## **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**

Accrued income on swaps has been calculated on an effective accruals basis to match costs and revenues in the correct period.

### **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	1,496,450,210
TOTAL LIABILITIES	1,496,450,210
<b>DIFFERENCE</b>	<b>0</b>
PREVIOUS YEARS' RESULTS	0
<b>SECURITISATION RESULT FOR THE CURRENT YEAR</b>	<b>0</b>

**TABLE 1: SUMMARY STATEMENT OF SECURITISED ASSETS AND LOANS RECEIVED**

<b>STATEMENT L.1</b>		<b>31/12/2019</b>	<b>31/12/2018</b>
<b>A.</b>	<b>Securitized assets</b>	<b>1,285,714,899</b>	<b>1,097,284,721</b>
A.1	Loans and receivables	1,285,714,899	1,097,284,721
<b>B.</b>	<b>Use of resources derived from receivable management</b>	<b>210,735,311</b>	<b>153,970,670</b>
B.3	Cash and banks	208,938,695	152,808,505
B.4	Investments and cash equivalents	660,470	365,410
B.5	Accrued income and prepaid expenses	1,116,428	791,096
B.6	Other loans and receivables	19,718	5,659
<b>D.</b>	<b>Loans received</b>	<b>1,489,461,304</b>	<b>1,246,111,311</b>
<b>E.</b>	<b>Other liabilities</b>	<b>6,988,906</b>	<b>5,144,080</b>
E.1	Suppliers for services rendered to the securitisation	17,236	13,021
E.2	Accrued expenses and deferred income	120,433	54,703
E.3	Payables to the Originator	6,851,237	5,076,356
<b>G.</b>	<b>Fees and commission to be borne by the securitisation</b>	<b>927,556</b>	<b>641,148</b>
G.1	For servicing	787,337	525,517
G.2	For other services	140,219	115,631
<b>H.</b>	<b>Other charges</b>	<b>26,527,745</b>	<b>19,300,208</b>
H.1	Write-downs of loans and receivables	272,173	382,850
H.2	Interest expense	26,238,410	18,890,314
H.4	Other charges	17,162	27,044
<b>I.</b>	<b>Interest generated by securitized assets</b>	<b>25,312,745</b>	<b>18,123,577</b>
<b>L.</b>	<b>Other income</b>	<b>2,142,556</b>	<b>1,817,779</b>
L.2	Write-backs to loans and receivables	136,169	0
L.3	Asset swap differential	1,987,747	1,781,208
L.4	Other income	18,640	36,571

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**

<b>STATEMENT F.1 - BREAKDOWN OF THE CAPTIONS</b>		<b>31/12/2019</b>	<b>31/12/2018</b>
<b>A.1</b>	<b>Loans and receivables</b>	<b>1,285,714,899</b>	<b>1,097,284,721</b>
	a. Principal amount of loans and receivables still to fall due	1,287,006,669	1,097,583,705
	b. Loans and receivables for future charges	139,810	0
	c. Adjustment of loans and receivables to c.a.	(1,760,620)	(961,856)
	d. Receivables from customers for default interest	4,372	2,370
	e. Receivables for expenses accrued	2,685	2,873
	f. Past due loan instalments - interest	111,815	99,247
	g. Past due loan instalments - principal	410,200	330,235
	i. Accrued interest income on mortgage loans	1,446,938	1,316,783
	h. Instalments in suspense - interest	653,268	611,050
	j. Provision for loans and receivables acquired	(1,134,638)	(979,616)
	k. Specific provision for loans and receivables	(1,165,600)	(720,070)
<b>B.3</b>	<b>Cash and banks</b>	<b>208,938,695</b>	<b>152,808,505</b>
	a. 1st collection account	206,880,830	104,371,318
	b. 2nd collection account	0	47,198,033
	c. Payments account	103,756	0
	d. Liquidity reserve account	1,954,109	1,239,154
<b>B.4</b>	<b>Investments and cash equivalents</b>	<b>660,470</b>	<b>365,410</b>
	a. Receivables for amounts to be collected	660,470	365,410
<b>B.5</b>	<b>Accrued income and prepaid expenses</b>	<b>1,116,428</b>	<b>791,096</b>
	a. Accrued income on swaps	1,116,428	791,096
<b>B.6</b>	<b>Other loans and receivables</b>	<b>19,718</b>	<b>5,659</b>
	a. Advances on ordinary operating costs	19,718	5,659
<b>D.</b>	<b>Loans received</b>	<b>1,489,461,304</b>	<b>1,246,111,311</b>
	a. Payables for subordinated loan	1,322,790	1,167,855
	b. Loans received	1,488,138,515	1,244,943,456
<b>E.1</b>	<b>Suppliers for services rendered to the securitisation</b>	<b>17,236</b>	<b>13,021</b>
	a. Suppliers	8,356	0
	b. Suppliers for invoices to be received	8,880	4,000
	c. Management suppliers	0	9,021
<b>E.2</b>	<b>Accrued expenses and deferred income</b>	<b>120,433</b>	<b>54,703</b>
	a. Accrued expenses	8,962	7,036
	b. Accrued expenses on swaps	111,471	47,667
<b>E.3</b>	<b>Payables to the Originator</b>	<b>6,851,237</b>	<b>5,076,356</b>
	b. Payables for servicing fee	244,893	157,915
	c. Advance payments	573	572
	d. Payables to assignor for additional remuneration	6,605,771	4,917,869
<b>G.1</b>	<b>For servicing</b>	<b>787,337</b>	<b>525,517</b>
	a. Servicing	787,337	525,517
<b>G.2</b>	<b>Other service fees</b>	<b>140,219</b>	<b>115,631</b>
	G.2a Corporate expenses	73,863	71,825
	G.2b On-going expenses	66,356	43,806
<b>H.1</b>	<b>Write-downs of loans and receivables</b>	<b>272,173</b>	<b>382,850</b>

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 2019

	a.	Collective write-downs of loans and receivables	0	137,289
	b.	Specific write-downs of loans and receivables	272,173	245,561
<b>H.2</b>		<b>Interest expense</b>	<b>26,238,410</b>	<b>18,890,314</b>
	a.	Interest expense on subordinated loan	6,624,155	4,654,737
	b.	Add. remuneration	19,614,255	14,235,578
<b>H.4</b>		<b>Other charges</b>	<b>17,162</b>	<b>27,044</b>
	a.	Bank charges and expenses	14	0
	b.	Operating costs	0	1,544
	c.	Notary and legal fees	1,666	1,220
	d.	Out-of-period expenses	310	38
	e.	Consultancy fees	0	9,106
	f.	Publication expenses	10,048	10,240
	g.	Translation expenses	4,880	4,880
	h.	Sundry expense recoveries	0	16
	i.	Legal fees for credit collection	244	0
<b>I.</b>		<b>Interest generated by securitised assets</b>	<b>25,312,745</b>	<b>18,123,577</b>
	a.	Default interest income	28,263	20,428
	b.	Interest income on loans	25,222,865	18,049,458
	c.	Ancillary income on instalments	61,617	53,691
<b>L.2</b>		<b>Write-backs to loans and receivables</b>	<b>136,169</b>	<b>0</b>
	a.	Write-backs to loans and receivables	136,169	0
<b>L.3</b>		<b>Positive swap differential</b>	<b>1,987,747</b>	<b>1,781,208</b>
	b.	Income/expense from swaps	1,987,747	1,781,208
<b>L.4</b>		<b>Other income</b>	<b>18,640</b>	<b>36,571</b>
	a.	Penalties on early repayments	18,640	36,571

## 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 code and registration in the Register of Companies: 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 code and registration in the Register of Companies: 01959720549
- 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.
- Transfer price of loans and receivables sold by Banco di Desio e della Brianza S.p.A. (including accrued interest): 195,304,356.86
- Transfer price of loans and receivables sold by Banca Popolare di Spoleto S.p.A. (including accrued interest): 147,890,701.58
- 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. 69 of 13/06/2019, 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 180 million, higher than the amount foreseen by the business plan for the same period (Euro 101 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: 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 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: 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: 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 also be noted that, on 06 June 2019, with economic effects from 6 June 2019, Banco Di Desio e Della Brianza S.p.A. sold a new portfolio for a total consideration of Euro 195,304,356.86 and on 19 June 2019 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 06 June 2019, with economic effects from 6 June 2019, Banca Popolare Di Spoleto S.p.A. sold a new portfolio for a total consideration of Euro 147,890,701.58 and on 19 June 2019 made available to the Company a new Subordinated Loan for a principal amount equal to the purchase price of the new portfolio.

With reference to the year just ended, it should be noted that from July 2019, following the absorption of Banco Popolare Di Spoleto S.p.A., Banco Desio took over all the roles and obligations involved in the Banco Popolare Di Spoleto S.p.A. Programme.

### 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
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.

### **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

Series	2
ISIN Code	IT0005380446
Common Code	203326343
Denomination	100,000 Euro
Issue date	24 July 2019
Expiry date	24 July 2026
Extended expiry date	24 July 2027
Foreign currency	Euro
Amount	500,000,000 Euro
Type of rate	Fixed
Coupon	0.375 %
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".

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 Collection Account of funds not used for the items with the highest priority.

## **L.5 ANCILLARY FINANCIAL TRANSACTIONS**

### **Interest rate risk hedging**

Desio OBG srl took out a first Interest Rate Swap contract on 19 July 2017 and a second one on 22 July 2019 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 series of covered bonds issued by Banco di 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 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 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 1999 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 2019	From the start date to 31 December 2018
<b>Balance of loans and receivables at the beginning of the year</b>	<b>1,097,284,721</b>	<b>0</b>
<b>Increases:</b>		
Purchase of the loan and receivable portfolio from Banco Desio and Banca Popolare Spoletto	344,458,371	1,246,642,111
Other increases, of which:		
Interest income accrued on loans	25,222,864	27,298,624
Default interest income	28,263	27,575
Penalties for early repayments	18,640	64,497
Write-backs to the write-down provision	136,170	72,136
ancillary income on instalments	61,618	74,850
<b>Decreases:</b>		
Customer collections	(173,674,703)	(172,403,139)
Other decreases, of which:		
Loan write-downs	(736,722)	(1,316,773)
Adjustment to amortised cost	(798,764)	(961,856)
Repurchases	(6,285,559)	(2,213,304)
<b>Balance of loans and receivables at the end of the year</b>	<b>1,285,714,899</b>	<b>1,097,284,721</b>

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.

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 2020 for an amount of Euro 660,470, while it does not consider collections received in January 2019 in current accounts for Euro 365,410 but pertaining to the previous year.

**L.8 CHANGES IN OVERDUE LOANS AND RECEIVABLES**

Description	At 31/12/2019	At 31/12/2018
<b>Balance of overdue loans and receivables at the beginning of the year</b>	<b>429,482</b>	<b>234,620</b>
Purchase of loans and receivables	23,863.16	66,909
Amounts falling due in the year	111,223,503	75,707,364
Collection of loans and receivables due	(111,110,258)	(75,579,411)
Instalments renegotiated	(44,575)	0
<b>Balance of overdue loans and receivables at the end of the year</b>	<b>522,015</b>	<b>429,482</b>

\* the balance of overdue loans and receivables corresponds to items A1 f and g 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 31/12/2019	At 31/12/2018
1. Balance on current accounts at the beginning of the year	152,808,505	51,712,564
2. Subordinated loan received	0	0
3. Collections on loans and receivables transferred by the Servicer and credited to current accounts	179,665,203	119,073,617
4. Positive swap differential	1,726,219	3,247,863
<b>Total inflows during the year</b>	<b>334,199,927</b>	<b>174,034,043</b>

Outflows	At 31/12/2018	At 31/12/2018
1. Reintegration of the Retention Amount	69,912	43,087
2. Interest expense and commission charged in current accounts	14	0
3. Payment of interest expense on loan	6,469,221	4,237,369
4. Payment of commission to counterparties	795,732	623,800
5. Negative swap differential	0	1,466,654
6. Payment of additional remuneration	17,926,353	14,854,628
7. Partial repayment of loan	100,000,000	0
<b>Total outflows during the year</b>	<b>125,261,232</b>	<b>21,225,538</b>



The difference between the inflows and outflows of € 208,938,695 represents the balance on current accounts at 31 December 2019 (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 2019 amount to Euro 179.665 million, which is higher than the total amount expected to be collected (Euro 100.488 million).

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

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 116.342 million during the course of 2020; this figure does not include any repurchases or early repayments.

#### **L.10 SITUATION OF GUARANTEES AND CASH LINES**

At 31 December 2019 there are no guarantees or cash lines.

#### **L.11 BREAKDOWN BY RESIDUAL LIFE**

<b>Residual life</b>	<b>Balance of loans and receivables in 2019</b>
01) Up to 3 months	109,190
02) From 3 months to 1 year	1,453,138
03) From 1 to 5 years	46,780,119
04) Over 5 years	1,239,019,421
<b>Total loans and receivables at the end of the year:</b>	<b>1,287,361,868</b>

The above table shows the total residual debt at 31 December 2019, which in the statement L.1 corresponds to item A.1 a) and i), net of advances of principal.

#### **L.12 BREAKDOWN BY GEOGRAPHICAL AREA**

<b>Geographical area</b>	<b>Amount</b>
Italy	1,287,361,868
<b>Total loans and receivables at the end of the year:</b>	<b>1,287,361,868</b>

The above table shows the total residual debt at 31 December 2019, which in the statement L.1 corresponds to item A.1 a) and i), net of advances of principal.

### L.13 RISK CONCENTRATION

<b>Classes of amount (euro)</b>	<b>Balance of loans and receivables in 2019</b>
01) 0 - 25,000	14,769,498
02) 25,001 - 75,000	276,001,659
03) 75,001 - 250,000	843,193,678
04) Over 250,000	153,397,033
<b>Total loans and receivables at the end of the year:</b>	<b>1,287,361,868</b>

The above table shows the concentration of risk. The total outstanding debt at 31 December 2019 corresponds in the statement L.1 to item A.1 a) and i), net of the principal advances on loans and receivables.

At 31 December 2019 there are no loans and receivables whose principal due is greater than 2% of the total amount of loans and receivables in portfolio.

Conegliano, 30 January 2020

**Desio OBG S.r.l.**  
*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 2019, 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 2019, 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 2019, 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 2019 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 2019 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 2020

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