Banca Monte dei Paschi di Siena S.p.A.

(incorporated as a joint stock company (società per azioni) in the Republic of Italy)

€10,000,000,000 Covered Bond Programme

unconditionally and irrevocably guaranteed as to payments of interest and principal by

MPS Covered Bond S.r.l.

(incorporated as a limited liability company (società a responsabilità limitata) in the Republic of Italy)

Except where specified otherwise, capitalised words and expressions in this Prospectus have the meaning given to them in the section entitled "Glossary".

Under this €10,000,000,000 covered bond programme (the "**Programme**"), Banca Monte dei Paschi di Siena S.p.A. ("**BMPS**" or the "**Issuer**" or the "**Bank**") may from time to time issue covered bonds (*Obbligazioni Bancarie Garantite*) (the "**Covered Bonds**") denominated in any currency agreed between the Issuer and the relevant Dealer(s). The maximum aggregate nominal amount of all Covered Bonds from time to time outstanding under the Programme will not exceed €10,000,000,000 (or its equivalent in other currencies calculated as described herein). The Covered Bonds constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer and will rank *pari passu* without preference among themselves and (save for any applicable statutory provisions) at least equally with all other present and future unsecured and unsubordinated obligations of the Issuer from time to time outstanding. In the event of a compulsory winding-up of the Issuer, any funds realised and payable to the Bondholders will be collected by the Guarantor on their behalf. MPS Covered Bond S.r.l. (the "**Guarantor**") has guaranteed payments of interest and principal under the Covered Bonds pursuant to a guarantee (the "**Guarantee**") which is collateralized by a pool of assets (the "**Cover Pool**") made up of Residential Mortgage Loans and Asset Backed Securities assigned and to be assigned to the Guarantor by the Principal Seller and the Additional Seller(s), and of other Eligible Assets and Top-Up Assets. Recourse against the Guarantor under the Guarantee is limited to the Cover Pool.

This Prospectus has been approved as a base prospectus issued in compliance with the Prospectus Directive 2003/71/EC (the "**Prospectus Directive**") by the *Commission de Surveillance du Secteur Financier* (the "**CSSF**"), which is the competent authority in the Grand Duchy of Luxembourg for the purposes of the Prospectus Directive. In accordance with article 7.7 of the Prospectus Law, the CSSF assumes no responsibility as to the economic and financial soundness of any transactions under the Programme or the quality or solvency of the Issuer. Application has been made for Covered Bonds to be admitted during the period of 12 months from the date of this Prospectus to listing on the official list and trading on the regulated market of the Luxembourg Stock Exchange, which is a regulated market for the purposes of Markets in Financial Instruments Directive 2004/39/EC (*MiFID*) as subsequently amended. The Programme also permits Covered Bonds to be issued on the basis that (i) they will be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer or (ii) they will not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system.

An investment in Covered Bonds issued under the Programme involves certain risks. See "Risk Factors" for a discussion of certain factors to be considered in connection with an investment in the Covered Bonds and the section entitled "Banca Monte dei Paschi di Siena S.p.A. - *Plan for the disposal of doubtful loans, the reduction of the risk profile and the strengthening of the capital base*".

From their relevant issue dates, the Covered Bonds will be issued in bearer and dematerialised form or in any other form as set out in the relevant Final Terms. The Covered Bonds issued in bearer and dematerialised form will be held on behalf of their ultimate owners by Monte Titoli S.p.A. ("**Monte Titoli**") for the account of the relevant Monte Titoli account holders. Monte Titoli will also act as depository for Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream**"). The Covered Bonds issued in bearer and dematerialised form will at all times be evidenced by book-entries in accordance with the provisions of the Financial Laws Consolidation Act and with the joint regulation of the Commissione Nazionale per le Società e la Borsa ("**CONSOB**") and the Bank of Italy dated 22 February 2008 and published in the Official Gazette No. 54 of 4 March 2008, as subsequently amended and supplemented. No physical document of title will be issued in respect of the Covered Bonds issued in bearer and dematerialised form.

The Covered Bonds of each Series or Tranche will be subject to mandatory and/or optional redemption in whole or in part in certain circumstances (as set out in Condition 9 (*Redemption and Purchase*)). Unless previously redeemed in full in accordance with the Conditions and the relevant Final Terms, the Covered Bonds of each Series or Tranche will be redeemed at their Final Redemption Amount on the relevant Maturity Date (or, as applicable, the Extended Maturity Date), provided that if the Issuer fails to pay (in whole or in part) the Final Redemption Amount in respect of a Series or Tranche of Covered Bonds on the applicable Maturity Date and the Guarantor has insufficient moneys available in accordance with the Guarantee Priority of Payments to pay in full the Guaranteed Amounts corresponding to the Final Redemption Amount of the relevant Series or Tranche of Covered Bonds), then the relevant Series or Tranche of Covered Bonds shall become a Pass Through Series. As at the date of this Prospectus, payments of interest and other proceeds in respect of the Covered Bonds may be subject to withholding or deduction for or on account of Italian substitute tax, in accordance with Italian Legislative Decree No. 239 of 1 April 1996 (the "**Decree No. 239**"), as amended and

supplemented from time to time, and any related regulations. Upon the occurrence of any withholding or deduction for or on account of tax from any payments under any Series or Tranche of Covered Bonds, neither the Issuer nor any other person shall have any obligation to pay any additional amount(s) to any holder of Covered Bonds any Series or Tranche. For further details see the section entitled "*Taxation*".

Each Series or Tranche of Covered Bonds may or may not be assigned a rating by one or more Rating Agencies.

Each Series or Tranche of Covered Bonds issued under the Programme, if rated, is expected to be assigned, unless otherwise stated in the applicable Final Terms, the following credit ratings: A2 by Moody's Investors Service Limited ("**Moody's**"), BBB by Fitch Ratings Ltd. ("**Fitch**") and A (high) UR with Negative Implication by DBRS Ratings Limited ("**DBRS**" and, together with Moody's and Fitch, the "**Rating Agencies**" and, each of them, a "**Rating Agency**"). A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. The Covered Bonds issued under the Programme may also not be assigned a rating. If the Covered Bonds issued under the Programme may be assigned a rating, the credit rating applied for in relation to the Covered Bonds will be issued by credit rating agencies established in the EEA and registered under Regulation (EU) No 1060/2009 (as amended from time to time, the "**CRA Regulation**"). Please refer to the ESMA webpage http://www.esma.europa.eu/page/List-registered-and-certified-CRAs in order to consult the updated list of registered credit rating agencies.

Any websites included in the Prospectus are for information purposes only and do not form part of the Prospectus.

JOINT-ARRANGERS FOR THE PROGRAMME

Morgan Stanley

MONTE DEI PASCHI DI SIENA
BANCA DAL 1472

RBS
The Royal Bank of Scotland

DEALERS

Morgan Stanley

MPS
CAPITAL SERVICES
GRUPPOMONTEPASCHI

RBS
The Royal Bank of Scotland

The date of this Prospectus is 13 October 2016.

This Prospectus is a base prospectus for the purposes of Article 5.4 of the Prospectus Directive and for the purposes of giving information which, according to the particular nature of the Covered Bonds, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer and of the Guarantor and of the rights attaching to the Covered Bonds.

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

This Prospectus is to be read and construed in conjunction with any supplements hereto, with all documents which are incorporated herein by reference (see "Documents Incorporated by Reference") and, in relation to any Series or Tranche of Covered Bonds (as defined herein), with the relevant Final Terms (as defined herein).

No person has been authorised to give any information or to make any representation other than those contained in this Prospectus in connection with the issue or sale of the Covered Bonds and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Guarantor, the Representative of the Bondholders or any of the Dealers or the Joint-Arrangers. Neither the delivery of this Prospectus nor any sale made in connection therewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or the Guarantor since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer or the Guarantor since the date hereof or the date upon which this Prospectus has been most recently supplemented or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

This Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Guarantor, the Joint-Arrangers or the Dealers to subscribe for, or purchase, any Covered Bonds.

The distribution of this Prospectus and the offering or sale of the Covered Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer, the Dealers and the Joint-Arrangers to inform themselves about and to observe any such restriction. The Covered Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"). Subject to certain exceptions, Covered Bonds may not be offered, sold or delivered within the United States or to US persons. There are further restrictions on the distribution of this Prospectus and the offer or sale of Covered Bonds in the European Economic Area, including the United Kingdom and the Republic of Italy, and in Japan. For a description of certain restrictions on offers and sales of Covered Bonds and on distribution of this Prospectus, see "Subscription and Sale".

The Joint-Arrangers and the Dealers have not separately verified the information contained in this Prospectus. None of the Dealers or the Joint-Arrangers make any representation, express or implied, or accept any responsibility, with respect to the accuracy or completeness of any of the information in this Prospectus. Neither this Prospectus nor any other financial

statements are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Guarantor, the Representative of the Bondholders, the Joint-Arrangers or the Dealers that any recipient of this Prospectus or any other financial statements should purchase the Covered Bonds. Each potential purchaser of Covered Bonds should determine for itself the relevance of the information contained in this Prospectus and its purchase of Covered Bonds should be based upon such investigation as it deems necessary. None of the Dealers, the Representative of the Bondholders or the Joint-Arrangers undertake to review the financial condition or affairs of the Issuer or the Guarantor during the life of the arrangements contemplated by this Prospectus nor to advise any investor or potential investor in Covered Bonds of any information coming to the attention of any of the Dealers, the Representative of the Bondholders or the Joint-Arrangers.

In this Prospectus, unless otherwise specified or unless the context otherwise requires, all references to "£" or "Sterling" are to the currency of the United Kingdom, "Dollars" are to the currency of the United States of America and all references to "€", "euro" and "Euro" are to the lawful currency introduced at the start of the third stage of the European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended from time to time.

Figures included in this Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same item of information may vary, and figures which are totals may not be the arithmetical aggregate of their components.

In connection with any Series or Tranche of Covered Bonds, one or more Dealers or Managers may act as a stabilising manager (the "Stabilising Manager"). The identity of the Stabilising Manager will be disclosed in the relevant Final Terms. References in the next paragraph to "the issue" of any Series or Tranche of Covered Bonds are to each Series or Tranche of Covered Bonds in relation to which any Stabilising Manager is appointed.

In connection with the issue of any Series or Tranche of Covered Bonds, the Dealer(s) or the Manager (s) (if any) named as the Stabilising Manager(s) (or any person acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over-allot Covered Bonds or effect transactions with a view to supporting the market price of the Covered Bonds at a level higher than that which might otherwise prevail. However, there can be no assurance that the Stabilising Manager(s) (or any person acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the final terms of the offer of the relevant Series or Tranche of Covered Bonds is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Series or Tranche of Covered Bonds and 60 days after the date of the allotment of the relevant Series or Tranche of Covered Bonds. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

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RISK FACTORS

This section describes the risk factors associated with an investment in the Covered Bonds. Prospective purchasers of Covered Bonds should consider carefully all the information contained in this Prospectus, including the considerations set out below, before making any investment decision. This section of the Prospectus is split into two main sections — General Investment Considerations and Investment Considerations relating to the Issuer and the Guarantor.

General Investment Considerations

Issuer liable to make payments when due on the Covered Bonds

The Issuer is liable to make payments when due on the Covered Bonds. The obligations of the Issuer under the Covered Bonds are direct, unsecured, unconditional and unsubordinated obligations, ranking *pari passu* without any preference amongst themselves and equally with its other direct, unsecured, unconditional and unsubordinated obligations.

The Guarantor has no obligation to pay the Guaranteed Amounts payable under the Guarantee until the occurrence of an Issuer Event of Default, after the service by the Representative of the Bondholders on the Issuer and on the Guarantor of a Guarantee Enforcement Notice. The occurrence of an Issuer Event of Default does not constitute a Guarantor Event of Default. However, failure by the Guarantor to pay amounts due under the Guarantee would constitute a Guarantor Event of Default which would entitle the Representative of the Bondholders to accelerate the obligations of the Issuer under the Covered Bonds (if they have not already become due and payable) and the obligations of the Guarantor under the Guarantee. Although certain of the Assets included in the Cover Pool are originated by the Issuer, they are transferred to the Guarantor on a true sale basis and an insolvency of the Issuer would not automatically result in the insolvency of the Guarantor.

Obligations under the Covered Bonds

The Covered Bonds will not represent an obligation or be the responsibility of any of the Joint-Arrangers, the Dealers, the Representative of the Bondholders or any other party to the Programme, their officers, members, directors, employees, security holders or incorporators, other than the Issuer and, after the service by the Representative of the Bondholders of a Guarantee Enforcement Notice, the Guarantor. The Issuer and the Guarantor will be liable solely in their corporate capacity for their obligations in respect of the Covered Bonds and such obligations will not be the obligations of their respective officers, members, directors, employees, security holders or incorporators.

Bondholders are bound by Extraordinary Resolutions and Programme Resolution

A meeting of Bondholders may be called to consider matters which affect the rights and interests of Bondholders. These include (but are not limited to): instructing the Representative of the Bondholders to take enforcement action against the Issuer and/or the Guarantor; waiving an Issuer Event of Default or a Guarantor Event of Default; cancelling, reducing or otherwise varying interest payments or repayment of principal or rescheduling payment dates; extending the Test Remedy Period; altering the priority of payments of interest and principal on the Covered Bonds; and any other amendments to the Programme Documents. Certain resolutions are required to be passed as Programme Resolutions, passed

at a single meeting of all holders of Covered Bonds, regardless of Series. A Programme Resolution will bind all Bondholders, irrespective of whether they attended the Meeting or voted in favour of the Programme Resolution. No Resolution, other than a Programme Resolution, passed by the holders of one Series of Covered Bonds will be effective in respect of another Series unless it is sanctioned by an Ordinary Resolution or an Extraordinary Resolution, as the case may require, of the holders of that other Series. Any Resolution passed at a Meeting of the holders of the Covered Bonds of a Series shall bind all other holders of that Series, irrespective of whether they attended the Meeting and whether they voted in favour of the relevant Resolution.

In addition, the Representative of the Bondholders may agree to the modification of the Programme Documents without consulting the Bondholders to correct a manifest error or an error established as such to the satisfaction of the Representative of the Bondholders or where such modification (i) is of a formal, minor, administrative or technical nature or to comply with mandatory provisions of law or (ii) in the sole opinion of the Representative of the Bondholders is expedient to make, is not or will not be materially prejudicial to Bondholders of any Series or Tranche.

It shall also be noted that after the delivery of a Guarantee Enforcement Notice, the protection and exercise of the Bondholders' rights against the Issuer will be exercised by the Guarantor (or the Representative of the Bondholders on its behalf). The rights and powers of the Bondholders may only be exercised in accordance with the Rules of the Organisation of the Bondholders. In addition, after the delivery of a Guarantor Default Notice, the protection and exercise of the Bondholders' rights against the Guarantor and the security under the Guarantee is one of the duties of the Representative of the Bondholders. The Conditions limit the ability of each individual Bondholder to commence proceedings against the Guarantor by conferring on the meeting of the Bondholders the power to determine in accordance with the Rules of Organisation of the Bondholders, whether any Bondholder may commence any such individual actions.

Representative of the Bondholders' powers may affect the interests of the holders of the Covered Bonds

In the exercise of its powers, trusts, authorities and discretions the Representative of the Bondholders shall only have regard to the interests of the holders of the Covered Bonds and the Other Guarantor Creditors but if, in the opinion of the Representative of the Bondholders, there is a conflict between these interests the Representative of the Bondholders shall have regard solely to the interests of the Bondholders. In the exercise of its powers, trusts, authorities and discretions, the Representative of the Bondholders may not act on behalf of the Seller.

If, in connection with the exercise of its powers, trusts, authorities or discretions, the Representative of the Bondholders is of the opinion that the interests of the holders of the Covered Bonds of any one or more Series or Tranche would be materially prejudiced thereby, the Representative of the Bondholders shall not exercise such power, trust, authority or discretion without the approval of such holders of the Covered Bonds by Extraordinary Resolution or by a direction in writing of such holders of the Covered Bonds of at least 75 per cent. of the Principal Amount Outstanding of Covered Bonds of the relevant Series or Tranche then outstanding.

Extendible obligations under the Guarantee

Following the failure by the Issuer to pay the Final Redemption Amount of a Series or Tranche of Covered Bonds on their Maturity Date and if payment of the Guaranteed Amounts corresponding to the Final Redemption Amount in respect of such Series or Tranche of Covered Bonds are not paid in full by the Guarantor on or before the Extension Determination Date, the relevant Series or Tranche of Covered Bonds will become a Pass Through Series and then payment of such Guaranteed Amounts shall be automatically deferred to the Extended Maturity Date specified in the relevant Final Terms.

To the extent that the Guarantor has received a Guarantee Enforcement Notice in sufficient time and has sufficient moneys available to pay in part the Guaranteed Amounts corresponding to the relevant Final Redemption Amount in respect of the relevant Series or Tranche of Covered Bonds, the Guarantor shall make partial payment of the relevant Final Redemption Amount in accordance with the Guarantee Priority of Payments and as described in Condition 8 (*Redemption and Purchase*) and payment of all unpaid amounts shall be deferred automatically until the applicable Extended Maturity Date, provided that any amount representing the Final Redemption Amount due and remaining unpaid on the Extension Determination Date may be paid by the Guarantor on any Guarantor Payment Date thereafter, up to (and including) the relevant Extended Maturity Date, in accordance with the applicable Priority of Payments. The Extended Maturity Date will fall 38 years after the Maturity Date. Interest will continue to accrue and be payable on the unpaid amount in accordance with Condition 8 (*Redemption and Purchase*) and the Guarantor will pay Guaranteed Amounts, constituting interest due on each Guarantor Payment Date and on the Extended Maturity Date. In these circumstances, except where the Guarantor has failed to apply money in accordance with the Guarantee Priority of Payments, failure by the Guarantor to make payment in respect of the Final Redemption Amount on the Maturity Date (subject to any applicable grace period) (or such later date within the applicable grace period) shall not constitute a Guarantor Event of Default. However, failure by the Guarantor to pay the Guaranteed Amounts corresponding to the Final Redemption Amount on or the balance thereof or prior to the Extended Maturity Date and/or Guaranteed Amounts constituting interest on any Guarantor Payment Date will (subject to any applicable grace periods) be a Guarantor Event of Default.

Limited secondary market

There is, at present, a secondary market for the Covered Bonds but it is neither active nor liquid, and there can be no assurance that an active or liquid secondary market for the Covered Bonds will develop. The Covered Bonds have not been, and will not be, offered to any persons or entities in the United States of America or registered under any securities laws and are subject to certain restrictions on the resale and other transfer thereof as set forth under "*Subscription and Sale*". If an active or liquid secondary market develops, it may not continue for the life of the Covered Bonds or it may not provide Bondholders with liquidity of investment with the result that a Bondholder may not be able to find a buyer to buy its Covered Bonds readily or at prices that will enable the Bondholder to realise a desired yield. If, therefore, a market does develop, it may not be very liquid and investors may not be able to sell their Covered Bonds easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for bonds that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of bonds generally would have a

more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of the Covered Bonds.

Exchange Rate Risk Factor

Changes in interest rates, foreign exchange rates, equity prices and other market factors affect the Issuer's business. The most significant market risks which the Issuer faces are interest rate, foreign exchange and bond and equity price risks. Changes in interest rate levels, yield curves and spreads may affect the interest rate margin realised between lending and borrowing costs. Changes in currency rates, affect the value of assets and liabilities denominated in foreign currencies and may affect income from foreign exchange dealing. The performance of financial markets may cause changes in the value of the Issuer's investment and trading portfolios. The Issuer has implemented risk management methods to mitigate and control these and other market risks to which the Issuer is exposed. However, it is difficult to predict with accuracy changes in economic or market conditions and to anticipate the effects that such changes could have on the Issuer's financial performance and business operations.

Flip provisions in contractual priorities of payments

Should any swap counterparty have its registered office in United Kingdom or United States of America, it is to be considered that the validity of contractual priorities of payments such as those contemplated in this transaction has been challenged in the English and U.S. courts. The hearings have arisen due to the insolvency of a secured creditor (in that case a hedging counterparty) and have considered whether such payment priorities breach the "anti-deprivation" principle under English and U.S. insolvency law. This principle prevents a party from agreeing to a provision that deprives its creditors of an asset upon its insolvency. It was argued that where a secured creditor subordinates itself to bondholders in the event of its insolvency, that secured creditor effectively deprives its own creditors. The Supreme Court of the United Kingdom in Belmont Park Investments PTY Limited (Respondent) v BNY Corporate Trustee Services Limited and Lehman Brothers Special Financing Inc. [2011] UK SC 38 unanimously upheld the decision of the Court of Appeal in dismissing this argument and upholding the validity of similar priorities of payment, stating that, provided that such provisions form part of a commercial transaction entered into in good faith which does not have as its predominant purpose, or one of its main purposes the deprivation of the property of one of the parties on bankruptcy, the anti-deprivation principle was not breached by such provisions.

In parallel proceedings in New York, Judge Peck of the U.S. Bankruptcy Court for the Southern District of New York granted Lehman Brothers Special Finance Inc.'s ("**LBSF**") motion for summary judgement on the basis that the effect was that the provisions infringed the anti-deprivation principle in a U.S. insolvency. Judge Peck acknowledged that this resulted in the U.S. courts coming to a decision "directly at odds with the judgement of the English Courts". In New York, whilst leave to appeal was granted, the case was settled before an appeal was heard.

This is an aspect of cross border insolvency law which remains untested. Whilst the priority issue is considered largely resolved in England and Wales, concerns still remain that the English and the U.S. courts may diverge in their approach which, in the case of an unfavourable decision in the U.S. may adversely affect the Issuer's ability to make payments on the Covered Bonds.

There remains the issue whether in respect of the foreign insolvency proceedings relating to a creditor located in a foreign jurisdiction, an English court will exercise its discretion to recognise the effects of the foreign insolvency proceedings, whether under the Cross Border Insolvency Regulations 2006 or any similar common law principles. Given the current state of U.S. law, this is likely to be an area of continued judicial focus particularly in respect of multi-jurisdictional insolvencies.

Additionally, there can be no assurance as to how such subordination provisions would be viewed in other jurisdictions such as Italy or whether they would be upheld under the insolvency laws of any such relevant jurisdiction. If a subordination provision included in the Programme Documents was successfully challenged under the insolvency laws of any relevant jurisdiction and any relevant foreign judgement or order was recognised by the Italian courts, there can be no assurance that these actions would not adversely affect the rights of the Bondholders, the rating of the Covered Bonds, the market value of the Covered Bonds and/or the ability of the Issuer to satisfy all or any of its obligations under the Covered Bonds.

Ratings of the Covered Bonds

The ratings that may be assigned by Moody's to the Covered Bonds address the expected loss posed to the Bondholders following a default. The ratings that may be assigned by Fitch to the Covered Bonds incorporate both an indication of the probability of default and the probability of recovery following a default of such debt instrument. The ratings that may be assigned by DBRS to the Covered Bonds evaluates both qualitative and quantitative factors when assigning ratings.

The expected ratings of the Covered Bonds will be set out in the relevant Final Terms for each Series or Tranche of Covered Bonds. Any Rating Agency may lower its rating or withdraw its rating if, *inter alia*, in the sole judgment of that Rating Agency, the credit quality of the Covered Bonds has declined or is under evaluation. If any rating assigned to the Covered Bonds is lowered or withdrawn, the market value of the Covered Bonds may be reduced. A security credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time.

Each of Moody's, Fitch and DBRS is established in the EEA and is registered under the Regulation (EU) No 1060/2009 (as amended from time to time, the "**CRA Regulation**"). In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the EEA and registered under the CRA Regulation (or is endorsed and published or distributed by subscription by such a credit rating agency in accordance with the Regulation) unless the rating is provided by a credit rating agency operating in the EEA before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration is not refused. (Please refer to the ESMA webpage http://www.esma.europa.eu/page/List-registered-and-certified-CRAs in order to consult the updated list of registered credit rating agencies).

Covered Bonds issued under the Programme

Covered Bonds issued under the Programme will either be fungible with an existing Series of Covered Bonds (in which case one or more Tranche of Covered Bonds will form part of such

Series) or have different terms to an existing Series of Covered Bonds (in which case they will constitute a new Series).

All Covered Bonds issued from time to time will rank *pari passu* with each other in all respects and will share in the security granted by the Guarantor under the Guarantee. Following the service on the Issuer and on the Guarantor of a Guarantee Enforcement Notice (but prior to a Guarantor Event of Default and service of a Guarantor Default Notice on the Guarantor) the Guarantor will use all monies to pay Guaranteed Amounts in respect of the Covered Bonds when the same shall become Due for Payment subject to paying certain higher ranking obligations of the Guarantor in the Guarantee Priority of Payments. In such circumstances, the Issuer will only be entitled to receive payment from the Guarantor of interest, Premium and repayment of principal under the Term Loans granted, from time to time, pursuant to the Subordinated Loan Agreement, after all amounts due under the Guarantee in respect of the Covered Bonds have been paid in full or have otherwise been provided for. Following the occurrence of a Guarantor Event of Default and service of a Guarantor Default Notice on the Guarantor, the Covered Bonds will become immediately due and repayable and Bondholders will then have a claim against the Guarantor under the Guarantee for an amount equal to the Principal Amount Outstanding plus any interest accrued in respect of each Covered Bond, together with accrued interest and any other amounts due under the Covered Bonds, and any Guarantor Available Funds will be distributed according to the Post-Enforcement Priority of Payments.

In order to ensure that any further issue of Covered Bonds under the Programme does not adversely affect existing holders of the Covered Bonds:

(a) any Term Loan granted by the Issuer and/or any Additional Seller(s) to the Guarantor under the terms of the Subordinated Loan Agreements, may only be used by the Guarantor (i) as consideration for the acquisition of Eligible Assets and of the Top-Up Assets from the Principal Seller, or any Additional Seller(s) pursuant to the terms of the Master Assets Purchase Agreement and the Cover Pool Management Agreement; and (ii) in certain specific circumstances and in respect of the Floating Interest Term Loan or Fixed Interest Term Loan, for the purpose of reimbursing (also in part) any Term Loan for an amount equal to the Corresponding Series or Tranche of Covered Bonds;

(b) the Issuer must always ensure that the relevant Tests are satisfied on each Test Calculation Date or, as applicable, Quarterly Test Calculation Date (when required by Programme Documents) in order to ensure that the Guarantor can meet its obligations under the Guarantee; and

(c) on or prior to the date of issue of any further Series or Tranche of Covered Bonds, the Issuer will be obliged to obtain a Rating Agency Confirmation.

Controls over the transaction

The Bank of Italy Regulations require that certain controls be performed by the Issuer aimed at, *inter alia*, mitigating the risk that any obligation of the Issuer or the Guarantor under the Covered Bonds is not complied with. Whilst the Issuer believes it has implemented the appropriate policies and controls in compliance with the relevant requirements, investors should note that there is no assurance that such compliance ensures that the aforesaid controls are actually performed and that any failure to properly implement the respective policies and

controls could have an adverse effect on the Issuers' or the Guarantor's ability to perform their obligations under the Covered Bonds.

Limits to Integration

The integration of the Cover Pool, whether through Eligible Assets or through Top-Up Assets, shall be carried out in accordance with the methods, and subject to the limits, set out in the Bank of Italy Regulations. More specifically, under the Bank of Italy Regulations, integration is allowed exclusively for the purpose of (a) complying with the tests provided for under the Decree No. 310; (b) complying with any contractual overcollateralization requirements agreed by the parties to the relevant Programme Documents or (c) complying with the limit of 15% in relation to certain Top-Up Asset including in the Cover Pool.

Investors should note that Integration is not allowed in circumstances other than as set out in the Bank of Italy Regulations and specified above.

Tax consequences of holding the Covered Bonds - No Gross-up for Taxes

Potential investors should consider the tax consequences of investing in the Covered Bonds and consult their tax adviser about their own tax situation. Notwithstanding anything to the contrary in this Prospectus, if withholding of, or deduction of any present or future taxes, duties, assessments or charges of whatever nature is imposed by or on behalf of Italy, any authority therein or thereof having power to tax, the Guarantor will make the required withholding or deduction of such taxes, duties, assessments or charges for the account of the Bondholders, as the case may be, and shall not be obliged to pay any additional amounts to the Bondholders.

Prospectus to be read together with applicable Final Terms

The Prospectus, to be read together with applicable Final Terms of Covered Bonds included in this Prospectus, applies to the different types of Covered Bonds which may be issued under the Programme. The full terms and conditions applicable to each Series or Tranche of Covered Bonds can be reviewed by reading the Conditions as set out in full in this Prospectus, which constitute the basis of all Covered Bonds to be offered under the Programme, together with the applicable Final Terms which apply and/or disapply and complete the Conditions of the Programme in the manner required to reflect the particular terms and conditions applicable to the relevant Series or Tranche of Covered Bonds.

EU Savings Directive

Under Council Directive 2003/48/EC on the taxation of savings income ("**EU Savings Tax Directive**"), each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person (within the meaning of the EU Savings Tax Directive) within its jurisdiction to, or collected by such a person (within the meaning of the EU Savings Tax Directive) for, an individual resident or certain limited types of entity established in that other Member State; however, for a transitional period, Austria is instead required to apply a withholding system in relation to such payments, deducting tax at a rate of 35%. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries (including Switzerland) and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a paying agent (within the meaning of the EU Savings Tax Directive) within its jurisdiction to, or collected by such a paying agent (within the meaning of the EU Savings Tax Directive) for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

However, on 10 November 2015, the Council of the European Union approved the Council Directive 2015/2060/EU (published in the Official Journal of the EU on 18 November 2015) which has repealed the EU Savings Tax Directive from 1 January 2016 in the case of all Member States other than Austria (subject to on-going requirements to fulfil administrative obligations such as the reporting and exchange of information relating to, and accounting for withholding taxes on, payments made before those dates) and from 1 January 2017 in the case of Austria. This was intended to prevent overlap between the EU Savings Tax Directive and the new automatic exchange of information regime to be implemented under Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by Council Directive 2014/107/EU). The new regime under Council Directive 2011/16/EU (as amended) is in accordance with the global standard released by the Organisation for Economic Cooperation and Development in July 2014. Council Directive 2011/16/EU (as amended) is generally broader in scope than the EU Saving Tax Directive, although it does not impose withholding taxes.

However, the European Commission has proposed the repeal of the EU Savings Tax Directive from 1 January 2017 in the case of Austria and from 1 January 2016 in the case of all other Member States (subject to on-going requirements to fulfil administrative obligations such as the reporting and exchange of information relating to, and accounting for withholding taxes on, payments made before those dates). This is to prevent overlap between the EU Savings Tax Directive and a new automatic exchange of information regime to be implemented under Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by Council Directive 2014/107/EU). The proposal also provides that, if it proceeds, Member States will not be required to apply the new requirements of the Amending Directive.

Nevertheless, under the EU Savings Tax Directive, Austria is still required during financial year 2016 to operate a withholding system in relation to such payments.

Investors who are in any doubt as to their position should consult their professional advisers.

Implementation in Italy of the Council Directive 2015/2060/EU

Italy has implemented the EU Savings Directive through Legislative Decree No. 84 of 18th April, 2005 ("**Decree No. 84**"). Under Decree 84, subject to a number of important conditions being met, Italian qualified paying agents shall report to the Italian tax authorities details of the relevant payments and personal information on the individual beneficial owner. Such information is transmitted by the Italian tax authorities to the competent foreign tax authorities of the State of residence of the beneficial owner.

On 10 November 2015, the Council of the European Union approved the Council Directive 2015/2060/EU (published in the Official Journal of the EU on 18 November 2015) which has repealed the EU Savings Tax Directive from 1 January 2016 in the case of Italy.

Council Directive 2015/2060/EU has been implemented in the Italian legislation by Art.28 of Law 7 July 2016, n.122 (published in the Official Journal of Italy on 8 July 2016) with effect from 1 January 2016, with the exception of the obligations provided for by art.1, paragraphs 1 and 3, of Legislative Decree 18 April 2005, n.84, which continue to apply until 30 April 2016.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) it can legally invest in Covered Bonds (ii) Covered Bonds can be used as collateral for various types of borrowing and "repurchase" arrangements and (iii) other restrictions apply to its purchase or pledge of any Covered Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Covered Bonds under any applicable risk-based capital or similar rules.

Changes of law

The structure of the issue of the Covered Bonds and the ratings which are to be assigned to them are based on Italian law (and, in the case of the Swap Agreements and the English Account Bank Agreement, English law) in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible change to Italian or English law or administrative practice or to the law applicable to any Programme Document and to administrative practices in the relevant jurisdiction.

Law 130

Law 130 was enacted in Italy in April 1999 and amended to allow for the issuance of covered bonds in 2005. Law 130 was further amended by law decree No. 145 of 23 December 2013, called "*Decreto Destinazione Italia*" (the "**Destinazione Italia Decree**") converted into law No. 9 of 21 February 2014, and by law decree No. 91, called "*Decreto Competitività*" (the "**Law Decree Competitività**", converted into law No. 116 of 11 August 2014). As at the date of this Prospectus, no interpretation of the application of Law 130 as it relates to covered bonds has been issued by any Italian court or governmental or regulatory authority, except for (i) the Decree of the Italian Ministry for the Economy and Finance No. 130 of 14 December 2006 ("**Decree No. 310**"), setting out the technical requirements of the guarantee which may be given in respect of covered bonds and (ii) Part III, Chapter 3 of the "*Disposizioni di Vigilanza per le Banche*" (Circolare No. 285 of 17 December 2013, as amended) as amended and supplemented from time to time, concerning guidelines on the valuation of assets, the procedure for purchasing Substitution Assets and controls required to ensure compliance with the legislation. Consequently, it is possible that such or different authorities may issue further regulations relating to Law 130 or the interpretation thereof, the impact of which cannot be predicted by the Issuer as at the date of this Prospectus.

The Covered Bonds may not be a suitable investment for all investors

Each potential investor in the Covered Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(a) have sufficient knowledge and experience to make a meaningful evaluation of the Covered Bonds, the merits and risks of investing in the Covered Bonds and the information contained or incorporated by reference in this Prospectus or any applicable supplement;

(b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Covered Bonds and the impact the Covered Bonds will have on its overall investment portfolio;

(c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Covered Bonds, including Covered Bonds with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;

(d) understand thoroughly the terms of the Covered Bonds and be familiar with the behaviour of any relevant indices and financial markets; and

(e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Covered Bonds are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Covered Bonds which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Covered Bonds will perform under changing conditions, the resulting effects on the value of the Covered Bonds and the impact this investment will have on the potential investor's overall investment portfolio.

Risks related to the structure of a particular issue of Covered Bonds

A wide range of Covered Bonds may be issued under the Programme. A number of these Covered Bonds may have features which contain particular risks for potential investors. Set out below is a description of the most common such features:

Covered Bonds subject to optional redemption by the Issuer

An optional redemption feature of Covered Bonds is likely to limit their market value. During any period when the Issuer may elect to redeem Covered Bonds, the market value of those Covered Bonds generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Covered Bonds when its cost of borrowing is lower than the interest rate on the Covered Bonds. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest

rate on the Covered Bonds being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Zero Coupon Covered Bonds

The Issuer may issue Covered Bonds bearing no interest, which may be offered and sold at a discount to their nominal amount.

Fixed/Floating Rate Covered Bonds

Fixed/Floating Rate Covered Bonds may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the Issuer has the right to effect such a conversion, this will affect the secondary market and the market value of the Covered Bonds since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Covered Bonds may be less favourable than then prevailing spreads on comparable Floating Rate Covered Bonds tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Covered Bonds. If the Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing rates on its Covered Bonds.

Interest rate risks

Investment in Fixed Rate Covered Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Covered Bonds.

Floating rate risks

Investment in Floating Rate Covered Bonds involves the risk for the Bondholders of fluctuating interest rate levels and uncertain interest earnings.

Potential conflicts of interest

Any Calculation Agent appointed under the Programme (whether a Paying Agent or otherwise) is the agent of the Issuer and not the agent of the Bondholders. Potential conflicts of interest may exist between the Calculation Agent (if any) and Bondholders (including where a Dealer acts as a Calculation Agent), including with respect to certain determinations and judgments that such Calculation Agent may make pursuant to the Conditions that may influence amounts receivable by the Bondholders during the term of the Covered Bonds and upon their redemption.

Investment Considerations relating to the Issuer

Factors that may affect the Issuer's and the ability of the Montepaschi Group (the "*Group*") to fulfil its obligations under the Covered Bonds issued under the Programme

Risks relating to the Issuer's business

As a credit institution, the Issuer is exposed to the typical risks associated with the business of a financial intermediary such as credit risk, market risk, interest rate risk, liquidity and

operational risk, plus a series of other risks typical to businesses such as strategic risk, legal risk, tax and reputational exposure.

Credit risk relates to the risk of loss arising from counterparty default (in particular, recoverability of loans) or in the broadest sense from a failure to perform contractual obligations, including on the part of any guarantors. The credit risk that the Issuer faces arises mainly from commercial and consumer loans and advances. Credit risk may also be manifested as country risk where difficulties may arise in the country in which the exposure is domiciled thus impeding or reducing the value of the asset, or where the counterparty may be the country itself. Another form of credit risk is settlement risk, which is the possibility that the Issuer may pay a counterparty for example, a bank in a foreign exchange transaction but fail to receive the corresponding settlement in return.

Market risk relates to the risk arising from market transactions in financial instruments, currencies and commodities.

Interest rate risk refers to the possibility of the Issuer incurring losses as a result of a poor performance in market interest rates.

Liquidity risk relates to the Issuer's ability or lack thereof to meet cash disbursements in a timely and economic manner. It is quantified as the additional cost arising from asset sales and/or negotiation of new liabilities incurred by the intermediary when required to meet unexpected commitments by way of recourse to the market.

Operational risk relates to the risk of loss arising from shortcomings or failures in internal processes, people or systems and from external events.

Mortgage borrower protection

Certain recent legislation enacted in Italy, has given new rights and certain benefits to mortgage debtors and/or reinforced existing rights, including, *inter alia*:

- the right of prepayment of the principal amount of the mortgage loan, without incurring a penalty or, in respect of mortgage loan agreements entered into before 2 February 2007, at a reduced penalty rate (article 120-*ter* of the Consolidated Banking Act, introduced by Legislative Decree No. 141 of 13 August 2010 as amended by Legislative Decree No. 218 of 14 December 2010);

- right to the substitution (*portabilità*) of a mortgage loan with another mortgage loan and/or the right to request subrogation by an assignee bank into the rights of their creditors in accordance with article 1202 (*surrogazione per volontà del debitore*) of the Civil Code, by eliminating the limits and costs previously borne by the borrowers for the exercise of such right (article 120-*quater* of the Consolidated Banking Act, introduced by Legislative Decree No. 141 of 13 August 2010 as amended by Legislative Decree No. 218 of 14 December 2010);

- the right of first home-owners to suspend instalment payments under mortgage loans up to a maximum of two times and for a maximum aggregate period of 18 months (Italian Law No. 244 of 24 December 2007, the "**2008 Budget Law**");

- the right to suspend the payment of principal instalments relating to mortgage loans for a 12 month period, where requested by the relevant Debtor during the period from 1 June 2015 to 31 December 2017 (Convention between ABI and the consumers' associations stipulated on 31 March 2015, the "**Credito Famiglie**"); and

- the right to renegotiate, subject to certain conditions and up to 31 December 2012, the floating rate or the final maturity of the Mortgage Loans executed prior to (and excluding) 14 May 2011 for the purpose of purchasing, building or for the maintenance of the debtors' principal residence (law decree number 70 of 13 May 2011, as converted into Law no. 106 of 12 July 2011, the "**Decreto Sviluppo**").

This legislation may have an adverse effect on the Cover Pool and, in particular, on any cash flow projections concerning the Cover Pool as well as on the over-collateralisation required in order to maintain the then current ratings of the Covered Bonds. However, the Asset Coverage Test has been structured in such a way to attribute a zero weight to any Mortgage Receivable in respect of which instalments are suspended as a consequence of the granting of a deferral of the payment of its interest and/or principal instalments in accordance with the application of moratoria provisions from time to time granted to Debtors by any laws, agreements between Italian banking associations and national consumer associations, the Bank of Italy or other regulatory bodies regulations ("**Payment Holiday**") therefore, to the extent that any Payment Holiday granted in respect of Mortgage Receivables included in the Cover Pool may lead to a breach of Tests, the Issuer will be required to sell to the Guarantor subsequent portfolios of Eligible Asset and/or Top-Up Assets in accordance with the Cover Pool Management Agreement and the Master Assets Purchase Agreement in order to remedy such breach, see "*Description of Certain Relevant Legislation in Italy*". However upon occurrence of an Issuer Event of Default a massive adhesion to such Payment Holidays may adversely effect the cashflows deriving from the Cover Pool and as a consequence the repayment of the Covered Bonds.

Risks connected with the creditworthiness of customers

Issuer's business depends to a substantial degree on the creditworthiness of its customers. Notwithstanding its detailed controls including customer credit checks, it bears normal lending risks and thus may not, for reasons beyond its control (such as, for example, fraudulent behaviour by customers), have access to all relevant information regarding any particular customer, their financial position, or their ability to pay amounts owed or repay amounts borrowed. Any failure of customers to accurately report their financial and credit position or to comply with the terms of their agreements or other contractual provisions could have an adverse effect on BMPS's business and financial results.

During a recession, there may be less demand for loan products and a greater number of MPS customers may default on their loans or other obligations. Interest rate rises may also have an impact on the demand for mortgages and other loan products. The risk arising from the impact of the economy and business climate on the credit quality of the Group's borrowers and counterparties can affect the overall credit quality and the recoverability of loans and amounts due from counterparties. In addition, the continued liquidity crisis in other affected economies may create difficulties for the Group's borrowers to refinance or repay loans to the Group's loan portfolio and potentially increase the Group's non-performing loan levels.

Risks connected with information technology

The Issuer's business relies upon integrated information technology systems, including an offsite back-up system. It relies on the correct functioning and reliability of such system and on its ability to protect the Issuer's network infrastructure, information technology equipment and customer information from losses caused by technical failure, human error, natural disaster, sabotage, power failures and other losses of function to the system. The loss of information regarding customers or other information central to the Issuer's business, such as credit risk control, or material interruption in the service could have a material adverse effect on its results of operations. In addition, upgrades to the Issuer's information technology required by law or necessitated by future business growth may require significant investments.

Risks associated with the failure in the implementation of the Restructuring Plan and the new economic and capital targets referred to the 2015-2018 period

On October 7, 2013, the Board of Directors of BMPS approved the 2013-2017 Restructuring Plan which the Bank had drawn up as part of the procedure for the issuance of the New Financial Instruments (as defined below) and for approval by the European Commission of the state aid (the "**Restructuring Plan**"). After the approval of the Restructuring Plan by the European Commission on 27 November 2013, significant changes have occurred, among which are amendments to the macroeconomic and regulatory scenarios, with the entry into force of the Single Supervisory Mechanism, the disclosure of the findings of the comprehensive assessment and of the outcomes of the Supervisory Review and Evaluation Process ("**SREP**"), as well as the integration of the results of the asset quality review ("**AQR**") which made some of the original hypothetical assumptions upon which the Restructuring Plan was based obsolete, and also impacted on the economic results of the Group's 2014 financial year which were significantly lower compared to the same Restructuring Plan projections.

In consideration of the aforementioned changes, the Bank deemed it appropriate to proceed with an update of the economic and capital targets of the Group provided under the Restructuring Plan, identifying the new economic and capital targets referred to the 2015-2018 period (the "**New Targets**"). The New Targets were approved by the Board of Directors of BMPS on 8 May 2015.

The New Targets

The New Targets, defined over the 2015-2018[1] period, have been developed on the basis of the same guidelines of the Restructuring Plan including, in addition, further actions aimed at improving credit quality, strengthening capital and recovering profitability. Said guidelines provide, in particular, for:

- An increase in productivity and efficiency, through structural growth in overall revenue and a reduction in operating expenses: the Restructuring Plan envisages the structural review of the distribution and business models; optimisation of the network territorial structure; a new customer service model; multi-channel integration; and the consolidation of digital channels in terms of transactions and relationships, also to

[1] After the approval of the new business plan scheduled on October 2016 the New Targets could be superseded.

support activities in the branches, an increase in multi-channel penetration for customers and the evolution of digital processes in order to extend and improve the product offering.

Sales processes will be made more efficient, which will save time to further improve sales activities and dedicate more attention to relationships with customers. The network will be more streamlined, with more flexible sales outlets that can better meet the customers' requirements.

In addition, the Restructuring Plan envisaged strengthening the focus on the world of businesses by activating and fully rolling out the new commercial chain dedicated to small and medium enterprises of high standing/potential. That chain, launched in 2015 with the establishment of dedicated centres and teams and the activation of the sales package, takes advantage of an even higher level of manager specialisation, high value-added products and a more efficient sales process decision-making chain.

The Restructuring Plan aimed to boost organisational efficiency overall, with actions that involve head office as well as regional coordination units. The operational efficiency targets remain confirmed and projects under way were further enhanced (e.g. the digitalisation of network business processes; further centralisation of administrative services; the review of the processes of management of expenses, demand and property management; the optimisation of the credit and control chains).

- Credit quality improvement: the goal is to decrease the cost of credit through a radical review of credit processes. These initiatives are expected to optimise the risk/return profile of the loan portfolio, by implementing rigorous credit policies and selection principles in relation to new loan disbursements. In addition, after the comprehensive assessment, the Bank identified and carried out major actions in order to cope with the specific areas of concern pointed out by the regulatory authorities.

  In particular, with respect to impaired loans, a review of the organisation models and management processes was completed for the purpose of significantly increasing the rates of loan collection and cure (focusing internal units on collections for the most significant positions and outsourcing the management of the small ticket positions; optimising external legal support with remuneration procedures that are also linked to performance; portfolio disposals, etc.).

- Structural rebalance of liquidity: the commitment to rebalance the Group's liquidity position at the structural level has been confirmed.

- Capital strengthening: in this area, June 2015 saw (i) the conclusion of the Bank's pre-emptive capital increase equal to € 3 billion and (ii) the full reimbursement of the remaining New Financial Instruments, which completed the repayment of State aids received in 2013. Capital management and optimisation initiatives of the Risk Weighted Assets ("**RWA**") at a parity of assets continue, partly through the selective reduction of the loan portfolio aiming at increasing quality without decreasing the Bank's support to the local economy.

Hypothetical assumptions

The New Targets were based on the occurrence of future events and actions to be undertaken

by the directors and the management, which in turn were based on hypothetical assumptions subject to the risks and uncertainties that characterise, *inter alia*, the current macroeconomic scenario, and relating to future events and actions that could not necessarily take place, over which the directors and the management have no, or only limited control, as regards the trend of the main capital and economic figures or other factors impacting on their evolution.

The main assumptions of the general and hypothetical natures at the basis of the New Targets included, *inter alia*:

- the absence of requests by the supervisory authorities and the European Commission to change the New Targets;

- the positive conclusion of the pre-emptive capital increase equal to € 3 billion which occurred in June 2015;

- the positive evolution of the macroeconomic environment, with, *inter alia*, a positive evolution of the gross domestic product (GDP), a recovery of the inflation rate, an ongoing and expansive policy by the European Central Bank (the "**ECB**") and a stable level of the BTP-*Bund* spread;

- an improved credit quality over the New Targets reference period by virtue of the envisaged managerial actions and an improved macroeconomic environment;

- the redemption, in full and in advance, which occurred on 15 June 2015, of the residual nominal € 1,071 million of New Financial Instruments in the course of 2015, partially using the proceeds of the pre-emptive capital increase completed in 2015;

- the structural rebalancing of liquidity; and

- the positive outcome of the initiatives aimed at bringing back the value of the Nomura exposure within the limits provided for under the prudential regime and the carrying on of the transaction known as "Alexandria" without considering the possibility of an early completion thereof, which later occurred on 23 September 2015 on the basis of a settlement agreement entered into with Nomura International plc ("**Nomura**") (in this respect, please see also the paragraph "*Legal proceedings – Restructuring of the "Alexandria" notes* of this Prospectus).

In addition to the macroeconomic assumptions set out above, the New Targets were also based on specific assumptions contemplating actions to be undertaken by the management aimed, *inter alia*, as mentioned, at maintaining the current funding level and decreasing lending levels, recovering profitability in line with the cost of capital and in a sustainable manner over time, as well as recovering operational effectiveness and efficiency allowing for the realisation of cost savings and the requalification of the most risky credit portfolio.

As illustrated above, the New Targets were based on a number of external scenario assumptions as well as on assumptions about the effects of specific actions wholly or partly under the control of the management. The failed occurrence of said assumptions or the failed or partial occurrence of the envisaged effects may cause significant deviations from the forecasts expressed in the New Targets and not allow the achievement thereof, with

consequent negative effects on the business and the economic, capital and/or financial condition of the Bank and/or the Group.

Commitments undertaken in the context of the Restructuring Plan

The commitments undertaken by the Issuer in the context of the state aid procedure and issuance of the new financial instruments provided for by Law Decree no. 95 of 6 July 2012, as amended (the "**New Financial Instruments**" or "**NFIs**") will continue to be in force until the end of the financial year that will close on 31 December 2017 (the last financial year included in the reference period of the Restructuring Plan), despite the fact that the Issuer has used the proceeds of the pre-emptive capital increase completed in 2015 to early redeem in full the residual New Financial Instruments.

Please note that the New Targets also contemplate the amendment of some targets relating to the commitments undertaken in the context of the Restructuring Plan.

In particular, in consideration of the difficulty in achieving the commission margin target level and the impossibility of counterbalancing the expected lower level with cost reductions as provided for by the commitments, regarding the changed reference scenario, the related operational cost reduction provided for in the context of the New Targets is not consistent with what was provided for in the commitments undertaken in the context of the approval procedure of the Restructuring Plan. In detail, said commitment established that, in the event that in 2015 or 2016 the expected levels of net commission and net result are not achieved, unless the return on equity ("**ROE**") is equal to the target provided for in the Restructuring Plan, an additional cost reduction shall be applied. The additional cost reduction shall be equal to the lowest among (i) the difference between the commissions expected and actually realised; (ii) the difference between the profit before tax expected and actually realised; and (iii) an amount specifically provided for in the context of the commitments. The targets relating to said commitment may be achieved within a margin of tolerance of 2%. The New Targets, in financial years 2015 and 2016, include a higher cost reduction compared to the target of the Restructuring Plan; however, said reduction is lower than the one that would result from the application of the same commitment due to the failed achievement of the abovementioned profitability targets. The European Commission may then ask the Bank to apply an additional cost reduction compared to what was provided for in the New Targets.

Furthermore, although the Group remains committed to the disposal programme of the subsidiaries Monte Paschi Banque S.A., Banca Monte Paschi Belgio, and of the leasing activities carried out by MPS Leasing & Factoring S.p.A., as well as to the dismissal of the New York Branch, in consideration of the uncertainties around the timing and modalities of their disposal, the New Targets do not include the potential effects of the aforementioned disposals. The New Targets confirm all other undertakings that the Bank has given in the context of the approval procedure of the Restructuring Plan.

Should the Bank be unable to comply with the commitments and targets set by the Restructuring Plan, in its original formulation or as updated according to the New Targets or the other amendments possibly requested, it may be obliged to adopt new measures in order to be compliant with the capital requirements or to execute specific actions required by the ECB after the completion of the inspections and/or the SREP process and have to face an action by the European Commission, and incur potential damage to its reputation, with possible consequent significant negative effects on the business and the economic, capital

and/or financial conditions of the Bank and/or the Group. Furthermore, one or more Rating agencies may downgrade the Bank's rating, with a consequent increase in the cost of funding.

Risks associated with the findings of the comprehensive assessment

On 4 November 2014 the ECB assumed the supervisory duties envisaged by the so-called Single Supervisory Mechanism (the "**SSM**"), including the supervision of very large banking groups.

The SSM is responsible for prudential supervision of all "significant" credit institutions in participating Member States. From that date therefore, as a "significant" bank BMPS has been subject to direct supervision by the ECB, which exercises its powers in close collaboration with national Supervisory Authorities (in Italy, Bank of Italy, which has maintained supervision powers over the Issuer, in accordance with regulations under the Consolidated Banking Act).

On exercising its supervisory powers, the ECB and the Bank of Italy periodically submit the issuer to various ordinary inspections and/or assessments in order to carry out their prudential supervision tasks such as – for example – systematic Thematic Reviews or reviews linked to internal risk management models for the purposes of calculating capital requirements. The aforementioned reviews are part of the annual prudential Supervisory Review and Evaluation Process ("**SREP**") which is intended to verify whether a credit institution is equipped with appropriate capital and organisational devices in relation to risks undertaken, guaranteeing overall managerial balance. In particular the SREP process is structured according to the following four key elements (i) assessment of viability and sustainability of business model, (ii) assessment of adequacy of governance and risk management, (iii) assessment of risks to capital, (iv) assessment of risk to liquidity. At the end of the annual SREP process, the Supervisory Authority issues a decision ("**SREP Decision**") communicating the quantitative capital and/or liquidity measures and any other organisational and supervisory recommendations that the credit institution must comply with within the terms and according to the methods established.

a) Supervision by the ECB and the Bank of Italy

SREP 2015

With reference to the SREP Decision 2015, notified on 25 November 2015, the ECB indicated, amongst other things, that the Issuer must continue to comply with minimum capital requirements in terms of a consolidated Common Equity Tier 1 Ratio of 10.75% commencing from 31 December 2016 (and from 1 January 2016 to 31 December 2016, no lower than 10.2% as established in SREP Decision 2014).

In addition to the above minimum requirements relating to the CET 1 Ratio, the ECB asked the Issuer: (i) for restrictions on dividend payments and distributions of shares and other financial instruments issued by it; (ii) continued action in relation to ventures intended to deal with non-performing exposures (NPE), together with restructuring ventures, including aggregation transactions; (iii) strengthening of strategies and processes for the review, maintenance and distribution of internal capital, with particular reference to certain specific SREP results; (iv) implementation of ventures intended to effectively monitor and guarantee continued capital adequacy for the subsidiaries MPS Capital Services Banca per le Imprese S.p.A. (or "MPS Capital Services S.p.A.") and MPS Leasing & Factoring S.p.A., as well as

the implementation of corrective measures to ensure compliance with regulatory levels provided in relation to large exposures; and (v) implementation of a documented strategy on liquidity and funding risk, by 28 February 2016.

Without prejudice to the ventures that the Issuer intends to implement in relation to a reduction in exposure to non-performing loans under the plan for the disposal of bad loans, with respect to certain specific results of the SREP relating to strategies and processes connected to internal capital, the Issuer has agreed with the Supervisory Authority on a working plan for the purpose of implementing the measures identified. This plan is periodically monitored. Moreover, in February 2016 the forecast capital increase for MPS Capital Services S.p.A. was completed, which guarantees restoration of capital adequacy and corrective measures were implemented which ensure that large exposures have returned within regulatory limits. With regard to MPS Leasing & Factoring S.p.A., completion of the 500 million Euro capital increase last December 2015 ensured that capital ratios for the subsidiary returned to values which are broadly in excess of regulatory minimums. With regard to liquidity, the Bank continues to be committed to improving this profile and as part of that consolidation process it will provide the ECB with the requested information. Liquidity was adequate for the purposes of absorbing the effects on funding of volatility in the first few months of 2016 and at end June/July 2016 following Brexit and the Stress Test results.

The SREP Decision 2015 also contained a request by the Supervisory Authority to the Issuer to submit, within one month of receipt of the decision, a "Capital Plan" for the purposes of achievement of a CET 1 Ratio equal to 10.75% by 31 December 2016. For the sake of completeness, at 30 June 2016 the CET 1 Ratio is equal to 12.1%.

The 2015 Capital Plan, submitted to the Supervisory Authority at the end of December 2015, does not include extraordinary measures for the achievement of a CET 1 Ratio equal to 10.75% by 31 December 2016, as requested by the SREP Decision, since review of the forecasts for the 2016-2018 period confirms the Bank's capital adequacy, also enabling a buffer for the projection period. Quarterly monitoring of performance in the 2015 Capital Plan, as requested by the SREP Decision, was carried out by the Bank with reference to 31 March and 30 June 2016 and the results were communicated to the Board of Directors. No uncertainties were reported in relation to the realisation of ventures provided in the 2015 Capital Plan or regarding the need, in the reference quarter, to commence managerial action for the purpose of guaranteeing the prudential buffer, as provided in the capital plan. With regard to the 2015 Capital Plan and subsequent quarterly monitoring carried out, the ECB has not currently conducted any reviews of that plan, and there is no certainty that this review will or will not be requested by the Authority.

Subsequently, on 23 June 2016, the ECB sent the Bank a Draft Decision, asking the Issuer to adopt specific measures to reduce exposure for the Bank to non-performing loans.

b) Reviews

At present the ECB and the Bank of Italy are conducting an ordinary review, commenced in May 2016 and relating to credit risk, counterparty risk and controls, which is scheduled to be completed by the end of 2016. Following the conclusion of the ordinary review, JST will send to BMPS a "follow up letter" including findings and recommendations followed by the definition of "remedial actions" within the scheduled deadline. Therefore, as at the date of this Prospectus, it is not possible to exclude that the findings and recommendations, required

by ECB by the half of 2017, could have a negative effect on the economic, capital and/or financial condition of the Bank and/or the Group.

Moreover, in the period between September 2015 – January 2016, an ordinary review was carried out by the ECB and the Bank of Italy regarding bank governance and the risk management system; although activities at the Bank concluded in January 2016, at the date of this Prospectus the European Supervisory Authority has not yet proceeded to call a conclusive meeting and, consequently, to send the Bank the "follow-up" letter.

On 26 September 2016 Bank of Italy started a review with respect to the transparency of the Bank's contractual conditions according to art. 128 of the Consolidated Banking Act.

In the period between January-May 2015 the ECB and the Bank of Italy also carried out an ordinary review of credit risk and credit portfolio in respect of which the follow-up letter was sent to the Bank on 30 November 2015. On the basis of recommendations contained in that letter the Bank has identified thirty-one remedy actions, principally relating to organisation, internal regulations, process and controls and it is currently committed to realising this action.

Investors should also note that on 25 September 2015 the internal model investigation relating to advanced operating models for risk (*AMA - Advanced Measurement Approach*) was concluded; at the date of this Prospectus the European Supervisory Authority has not yet proceeded to call the conclusive meeting and consequently to send the relative follow-up letter. On 4 December 2015, the internal model investigation on models for the calculation of credit risk requirements was concluded; at the date of this Prospectus the European Supervisory Authority has not yet called the conclusive meeting and consequently has not sent the relative follow-up letter.

c) Consob Reviews

In relation to tasks attributed by the Consolidated Finance Act to Consob, this Authority can exercise powers attributed to it over the Issuer and the Group. In particular, Consob could – amongst other things – submit the Issuer to reviews, including ordinary or periodic reviews, or request certain information or render other information public.

Although at the Date of this Prospectus no reviews are currently in progress relating to the Issuer and/or the Group, the Issuer and/or the Group companies could, in the future, be subject to reviews, specific requests by the Authority or to the exercise of any other powers attributed to Consob. In such event, if the Issuer is unable to promptly comply with the Authority requests and/or fails to comply with obligations imposed by that Authority, the Issuer may be subject to penalties or other measures, with consequent adverse effects on the economic, financial and/or equity situation of the Issuer and/or the Group, as well as on its reputation.

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Although the Issuer has, at the date of the Prospectus, adopted all measures deemed necessary for the purpose of eliminating critical aspects emphasised by the Supervisory Authorities following the reviews indicated above, there is no guarantee that these measures will function correctly or, in the future, following additional reviews or evaluations by the Authorities, that it will not be necessary or advisable to implement additional interventions in order to bridge any insufficiencies that may be revealed.

In relation to reviews by the ECB described above, in the progressive process for the implementation of measures requested by that Authority, there have been frequent exchanges of documents and meetings, intended to provide evidence of activities that the Group is carrying out and to verify the correctness of the structure of those interventions. Since some of the interventions requested, or that have become necessary in view of criticalities that emerged in the context of reviews, were only recently carried out, it is not possible to evaluate their effectiveness on the basis of their application over an extended period of time. There is therefore no guarantee that in the future the measures requested by the ECB and realised by the Issuer will not be found to be entirely effective over time, resulting in adverse effects on the economic, equity and financial situation of the Issuer and/or Group.

Investors must also consider that: (i) Consob, Bank of Italy and the ECB – each Authority in the context of their jurisdiction – have the power to sanction the Issuer or to adopt other measures pursuant to applicable regulations; and (ii) the ECB also has the power to ask the Issuer for an amount of its "Own Funds" in excess of the amount provided by the CRR and by Italian implementation regulations. The exercise of those powers by the Authority could have adverse effects on the economic, financial and equity situation of and capital ratios for the Issuer and/or the Group.

In consideration of the tasks that it was to undertake under the Single Supervisory Mechanism, between 2013 and 2014 the ECB, with the collaboration of national Authorities (for Italy, the Bank of Italy) carried out a Comprehensive Assessment, which also involved the Bank and which consisted of: (i) a thorough evaluation of the quality of assets ("**Asset Quality Review**"); and (ii) a stress test trial, which provided a prospective analysis of the stability of the Bank's solvency.

It is necessary to consider that it is not possible to exclude the possibility that the ECB could decide to recommend a new Asset Quality Review in order to verify classifications and evaluations operated on credits, in order to deal with any deterioration in those credits. In such event, it is not possible to exclude the possibility that the Issuer will fail to satisfy minimum parameters fixed in the context of those reviews and therefore, in case of failure to pass the tests, it may receive ECB measures which, amongst other things, require the Issuer to implement new capitalisation measures or other measures suitable to bridge capital deficits found in the Bank's Regulatory Capital, with possible adverse effects on its business and on the economic, equity and financial situation of the Issuer and/or the Group.

Credit risk and risk of credit quality deterioration

The Group's business, economic, capital and financial soundness as well as the ability to generate profits depend, *inter alia*, on the creditworthiness of its clients or on the risk that its contractual counterparties (including the counterparties of financial transactions on derivative securities traded over the counter ("**OTC**") – although in this case reference is more appropriately made to counterparty risk, as per the paragraph "*Risk associated with the existence of OTC derivatives in the Issuer portfolio*" of this Prospectus), default their obligations or that the creditworthiness of said counterparties decreases or that the Group companies grant, based on untrue, incomplete or inaccurate information, loans that otherwise they would not have granted or they would have granted at different conditions.

Closely related to credit risk is concentration risk, deriving from exposures to counterparties and groups of related counterparties belonging to the same economic sector, exercising the same activity or coming from the same geographical area.

From the analysis of the geographical distribution of the Group clients as at 30 June 2016, it can be inferred that risk exposures are mainly concentrated: for retail in central regions (34.9%); then South (34.6%) followed by the North-East and North-West (16.7% and 13.8%, respectively); for corporate central regions (48.3%) followed by North-West and North-East (respectively, 27.6% and 15.2%). The quantification of the possible losses that the Group may incur in respect of the single credit exposure and the aggregate lending portfolio depends upon several factors, among which the performance of general economic conditions and conditions relating to specific productive sectors, changes in the rating of single counterparties, structural and technological changes within borrowers, the worsening of the competitive position of counterparties, the possible bad management of enterprises or borrowers, the increasing indebtedness of families and other external factors also of legislative and regulatory nature.

As regards impaired loans, the main Group credit risk parameters highlight an increase related to the persistence of the economic crisis and to the quality of the Group credit book, which still suffers from the past use of more lenient criteria in the granting of loans compared to the criteria adopted by the Group as at the date of this Prospectus, deriving, *inter alia*, from the credit book acquired by the Bank as a result of the absorption of Banca Antonveneta.

As regards impaired loans, please also note that starting from the quarter ending 31 March 2015, the new concept of impaired loans as adopted by the Bank of Italy in the seventh update of 20 January 2015 to the account matrix, as a result of the implementation of the new definitions of non-performing exposures ("**NPE**") introduced by the technical implementing measures relating to the harmonised consolidated supervision statistical reporting defined by the European Banking Authority (the "**EBA**") and approved by the European Commission on 9 January 2015, shall be applied. As a result, non-performing loans have been divided in the categories of (i) bad; (ii) unlikely to pays; and (iii) past due loans, replacing the preceding categories of "doubtful" and "restructured credits".

The persisting crisis situation of the credit markets, the deterioration of the capital markets conditions, the slowing down of the global economy as well as possible measures adopted by the authorities of single countries have all reduced and may further reduce the available income of families and the profitability of enterprises and/or may have a further negative impact on the ability of the Group's clients to fulfil their obligations and cause, therefore, a significant worsening of the Group credit quality. Furthermore, the development of the macroeconomic scenario and/or the performance of specific sectors (with specific reference to families and small and medium enterprises, which represent the Group's main clients) reduced and may entail a further reduction, possibly even significant, of the value of guarantees received from clients and/or the impossibility, on the side of clients, to supplement the guarantees provided as a result of a value reduction thereof, negatively impacting on the Bank's estimated results due to the deterioration of credit quality, with a possible significant increase of non-performing loans linked to the clients' reduced ability to fulfil their obligations, with possible negative effects on the business and the economic, capital and/or financial condition of the Bank and/or the Group.

Furthermore, the deterioration of the Group's credit quality may determine an increase in provisions necessary to deal with impaired loans, with possible negative effects on the business and the economic, capital and/or financial condition of the Bank and/or the Group.

Furthermore, please note that in the context of the asset quality review, the ECB and the EBA adopted evaluation criteria of the concerned banks' loans characterised by analysis elements

which differ from the methodologies adopted in the past by the Bank and that led to adjustments to the value of the Group credits subject to analysis in the context of the asset quality review, as well as to a reclassification from *in bonis* to impaired loans.

The impacts of the credit file review, of the statistical projection of the credit file review findings and of the collective provision analysis have been fully taken account of in the financial statement 2014.

As regards the findings of the sample credit file review, please note that the main adjustments recorded by the Issuer (€ 1,529 million) compared to those that emerged in the context of the credit file review (€ 1,130 million) are to be ascribed to the natural evolution of exposures of which account has been taken in the course of the corporate activities verifications, as well as to the availability of most updated information on the conditions of borrowers and on the value of collaterals compared to those used in the context of the asset quality review.

As regards the outcomes of the statistical projection of the credit file review findings, the Bank took account of the adjustments detected by the ECB intervening on the methodologies and parameters used for the purposes of classifying and evaluating loans, with the adoption of the new accounting policy.

In particular, on 18 December 2014, the Bank's Board of Directors adopted a new accounting policy known as "Loans, collaterals given and commitments to disburse funds", that establishes the grounds for the alignment of the individual and Group accounting practices to the recently enacted supervisory regime (e.g. ITS EBA) and to the observations expressed by the supervisory authorities on the matter. The main updates of the methodologies and parameters used in classifying and evaluating loans concern: (i) the identification of non-performing exposures; (ii) the evaluation of non-performing loans, with the application of haircuts on real estate guarantees; (iii) the collective assessment of past due/overdue exposures and objective doubtful loans; and (iv) the evaluation of unsecured non-performing loans. On this matter please note that the most relevant adjustments applied as a result of the application of the new accounting policy (€ 4,195 million) compared to those emerged in the context of the asset quality review (€ 2,196 million), deriving from the statistical projection of the credit file review findings according to the methodologies used by the ECB, are due to the fact that the Bank proceeded with the application of the new methodologies and updated parameters within the entire perimeter of credit exposures (including "retail", "small business", "consumer credit" and "other" portfolios) and not only to the portfolios subject to evaluation during the asset quality review (i.e. "large SME", "large corporate", and "real estate related").

Finally, as regards the outcome of the collective provision analysis, please note that the reference between collective adjustments (€ 239 million) compared to the outcome of the said adjustments analysis highlighted by the asset quality review (€ 854 million) can be referred both to the significant reduction of the *in bonis* exposure stock (itself resulting from the reclassification from "performing" to "non-performing"), and to the different conventions and parameters adopted by the Group that, although currently subject to fine tuning, remain different from the "challenger model" used in the context of the asset quality review[2].

[2] In this respect, please note that the parameters adopted by the Group are based on validated internal models that take account of average values over multiple periods, while the parameters used by the "challenger model" in the context of the asset quality review take account of one single period (are of the called "point time" type).

Despite the Group monitoring credit risk through specific policies and procedures aimed at identifying, monitoring and managing risk and periodically carrying out a new estimation of risk parameters and provisions to deal with any losses, and on the basis of available historical information, the occurrence of the above mentioned circumstances, as well as of unexpected and/or unpredicted events – including possible requests to amend credit evaluation policies by the supervisory authorities and/or other amendments thereto as a result of the recent introduction of the aforementioned policy – may lead to increased impaired loans and provisions relating thereto as well as to possible amendments to credit risk estimates, with possible negative effects on the business and the economic, capital and/or financial condition of the Bank and/or the Group. As regards the procedures put in place by the Group to monitor credit risk, please note that the Board of Statutory Auditors, in its report to the shareholders' meeting called to approve the financial statement relating to 2014, pointed out a number of criticalities emerged in the context of its supervisory actions. During 2015 the board of statutory auditors continued its assessment on the central structures for the purpose of ascertaining the efficiency and effectiveness of the credit process.

The reduction in credit quality exposes the Group to the risk of possible increased "Net Value Adjustments on impaired exposures" and cost of credit which will result in a decrease in profitability and possible profits available for distribution to the Issuer as well as a lower self-funding capacity and further possible negative effects on the business and the economic, capital and/or financial condition of the Bank and/or the Group.

Furthermore, as a result of the publication of the asset quality review findings, the Group began a reorganisation of the "Credit Deputy General Managers" through, *inter alia*: (i) the introduction of the portfolio manager, asset manager and real estate expert's figures and the creation of units dedicated to the management of non-performing loans and other impaired loans for the purpose of making the credit recovery process more efficient; (ii) the strengthening of said division management by recruiting new professionals in the market; (iii) a more extensive use of the so-called "REOCo" (Real Estate Owned Company), special purpose real estate vehicles specifically incorporated for the acquisition of properties in auction, the management and resale on the free market for the purpose of more effectively safeguarding the value of the receivables subject to judicial proceedings; and (iv) the outsourcing of the management activities of negligible impaired loans through competitive selection processes. As at the date of this Prospectus said interventions are still in progress and, accordingly, it is not possible to ensure that the benefits expected by the reorganisation of the "Credit Deputy General Managers" will actually take place or will take place within the times envisaged, resulting in the Group's inability to benefit from said positive effects and, in case criticalities are again found in the credit management process, the possible negative effects on the business and the economic, capital and/or financial condition of the Bank and/or the Group.

With respect to the asset quality, it is highlighted that on 31 December 2015, impaired loans amounted to a gross value of € 46.9 billion (net value of € 24.2 billion), an increase of 3.4% compared to December 2014, but a decrease of about € 0.6 billion compared to September 2015, following the slowdown of gross flows, the improved recovery performance and the sale of about € 1 billion of loans made in December 2015. Excluding such sale, the quarterly change of the gross amount of impaired loans is equal to approximately € 400 million (approximately € 1.2 billion in the third quarter of 2015), its lowest level in the past eight quarters. The stock of net impaired loans was down by approximately € 200 million

compared to September 2015. The coverage of impaired loans amounted to 48.5%, and remained among the best of the Italian banking system.

As at 30 June 2016, the net exposure to non-performing loans of the Group stood at € 23.6 billion, recording a € 0.6 billion decrease since the beginning of the year (€ -0.5 billion compared with 31 March 2016). Within the aggregate, in the second quarter, the impact of doubtful loans increased (from 9% in March 2016 to 9.8% as at 30 June 2016) against a modest overall decline of both the "unlikely to pay" and of the non-performing past-due and overdue exposures. The Group's exposure to gross non-performing loans as at 30 June 2016 stood at € 45.3 billion, down, in the second quarter of 2016, by € 1.9 billion, due primarily to the partial write-off of late-payment interest on doubtful loans for approx. € 1.4 billion, the transfer without recourse of receivable pertaining to the former subsidiary Consum.it for about € 0.3 billion, while an additional € 0.2 billion of a Q/Q decrease is the result of positive trends in the management of non-performing loans. These operations include, inter alia, the decrease in inflows from performing to non-performing, the maintenance at high levels of the cure of defaulted loans and the increase in collections of doubtful loans net of disposals. As at 30 June 2016, the coverage percentage of non-performing loans was 48.0%, down by 104 bps compared to the first quarter of 2016.

Lastly, during the first months of 2015, the ECB assessed the credit exposure of the Group relating to residential real estate portfolios, institutional, project finance and shipping, excluded from the previous inspection carried out in the financial year 2014. In this regard, adjustments for credit file review, statistics and collective projections have been requested. In the financial year 2015, the required adjustments have been substantially implemented.

In 2015, the Group accounted net value adjustments for impairment of loans for approximately € 1,991 million, down 74.5% from the previous year which included higher adjustments related to the review of methodologies and parameters for classification and evaluation of the entire loan portfolio and with respect to the Asset Quality Review. The incidence of the fourth quarter of 2015 is approximately € 577 million an increase of 34.3% compared to the third quarter of 2015.

In the first six months of 2016, the Group booked net impairment losses (reversals) on loans, financial assets and other transactions for approx. € 717 million, down by 27% compared with the same period of last year benefiting mostly from a slow down in the flow of non-performing loans. In the second quarter of 2016, net value adjustments, amounting to approx. € 368 million, were up compared with the previous quarter (+5.4%); this change was positively affected by a further reduction in non-performing loans versus performing loans, following an increase in the coverage of the impaired component (net of the cancellation of late payment interest).

Large exposures

As at 30 June 2016 (and as at 31 December 2015), there was no evidence of positions exceeding the limit on large exposures, while as at 31 December 2014 at Group level there was evidence of only one position exceeding the limit on large exposures relating to the Nomura counterparty. As regards the structured finance transaction known as "Alexandria", the Issuer and Nomura entered into an agreement dated 23 September 2015 governing the conditions of the early termination of the transactions, implemented in 2009, concerning an investment in BTP in asset swap with maturity in 2034, with a value of € 3 billion, funded by way of a long-term repo with the same maturity; by virtue of said termination, the position

relating to the Alexandria transaction will no longer be included among big exposures. Furthermore, at single Group company level, please note that as at 30 June 2016 (and as at 31 December 2015) there is no evidence of any position exceeding the limit on large exposures. As at 31 December 2014, there was evidence of one position exceeding the limit on large exposures related to the subsidiary MPS Capital Services S.p.A. As regards the exceeding of the aforementioned limit related to MPS Capital Services S.p.A. such position was brought back below the relevant limit by way of a capital increase of € 900 million, which has been increased by further € 300 million.

For the subsidiary MPS Leasing & Factoring S.p.A. please note that, as at 31 December 2014, there was evidence of two positions exceeding the limit on large exposures. As at 30 June 2016 and 31 December 2015 there were no positions exceeding the limit on large exposure due to the capital increase transaction completed in the fourth quarter of 2015 for an aggregate amount equal to € 500 million.

Risks associated with the sale of non-performing loans

In the context of its core business, the Issuer has carried out transactions for the sale of receivables. In particular, on 23 June 2016 an agreement for the *pro-soluto* or without recourse block sale of a portfolio of non-performing loans to the Kruk Group was entered into. Kruk Group is a debt recovery company operating on the European market for non-performing loans. The portfolio sold includes over 40,000 positions, with a gross book value of around 290 million Euro (around 350 million Euro including default interest accrued and/or other charges transferred together with the principal amount). The non-performing loans sold, which are unsecured, are consumer loans, personal loans and credit cards originating from the former subsidiary Consum.it (since 2015 incorporated within the Bank). The sale resulted in a slightly positive economic impact and did not have material effects on the Group capital ratios.

The evaluation of receivables in the balance sheet – including those sold – is carried out by the Issuer on the basis of an estimate of financial flows achievable considering the range of possible recovery actions, also in consideration of debtor payment capacity and probable realisation value following the enforcement of any guarantees assisting the loan, net of any related direct costs. In accordance with reference international accounting standards, the book value at which the receivables have been reported is obtained by discounting the mentioned forecast cash flows on the basis of the original interest rate for the position and the expected recovery time.

Completion of the sales could involve greater adjustments to the value of receivables in the income statement in a significant amount due to the well-known difference between the value at which non-performing loans (and in particular bad loans) are booked in balance sheets by banks and the price that market operators specialised in the management of "distressed assets" are prepared to offer for the purchase of those receivables. At equal recovery expectations for cash flows obtainable from the debtor and/or from liquidation procedures, the difference between the book value and the sale price is in fact impacted by high rates of return that investors intend to realise (generally higher than original interest rates used on calculating the current value of financial flows from recovery for the purposes of preparing balance sheets), as well as indirect management costs (cost of personnel and organisational structures dedicated to recovery activities) that potential buyers discount in advance on determining the purchase price for the receivables.

In this prospective, there is no guarantee that completion of the transactions for the sale of loans, to the extent that the conditions for amending recovery forecasts for impaired loans identified for probable future disposal are existing, will not result in increased adjustments to the value of receivables in the income statement with consequent adverse effects, including significant effects, on the economic, equity and financial situation of the Issuer and/or Group. Moreover, the Issuer may not be in a position to find a counterparty prepared to participate in any sales of receivables that the Bank may decide to carry out.

These adverse effects could be even more pronounced to the extent that the Group is forced to pursue objectives for the reduction of the amount of impaired loans that are more stringent in terms of amount or timing with respect to those currently planned, also following requests by the Supervisory Authority.

Risks associated with capital adequacy

The rules governing capital adequacy for banks establish the minimum prudential capital requirements, the quality of financial resources and the risk mitigation tools. As at 31 December 2015, the Common Equity Tier 1 is up by € 2,052 million compared to 31 December 2014 (restated) and said positive increase is mainly related to: (i) the pre-emptive capital increase carried out in the course of the second semester of 2015; (ii) the capital increase dedicated to the MEF for the payment of the New Financial Instruments coupon carried out in financial year 2014; (iii) the termination of the Alexandria transaction with Nomura as counterparty; (iv) the restatement of the Alexandria transaction, for the related effects on the income statement for the year ended 31 December 2015; while the following had a negative impact; (i) the redemption of the last tranche of New Financial Instruments; (ii) increased deductions linked to deferred tax assets ("**DTA**"), tax holdings and losses due to the increased phase-in (from 20% in 2014 to 40% in 2015); and (iii) the restatement of the Alexandria transaction, for the related effect on the own funds (for further details please refer to the "*notes to the consolidated financial statements*" of the consolidated financial statements as at and for the year ended 31 December 2015 incorporated by reference into this Prospectus.

As at 30 June 2016, the Common Equity Tier 1 increased slightly (approximately + € 93 million) compared to 31 December 2015.The positive impact of net profit generated in the period is greater than the negative effects caused mainly by the increase in the phase-in percentage of the deduction items (which was up from 40% in 2015 to 60% in 2016) and the greater DTA not dependent on temporary differences.

Please note that, in accordance with the provisions of art. 26 of Regulation (EU) 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investments firms, the possibility to compute profits as "total capital" (or "own funds") is subject to specific authorisation by the corresponding Joint Supervisory Team ("**JST**") with the ECB.

The Risk Weighted Assets (the "**RWA**") as at 31 December 2015 decreased by € 5,474 million compared to 31 December 2014. As at 30 June 2016 the RWA showed a modest increase (about + € 155 million) due to the increase recorded in the "credit risk component" (increase in the standard portfolio above the reduction in the Airb portfolio); the components "market risk" and "operational risk" declined.

In light of the above mentioned variations, the Common Equity Tier 1 ratio as at 31 December 2015 was equal to 12.01%, showing an increase of 355 basis points compared to 31 December 2014; on the same date the Tier 1 ratio was equal to 12.85%, while the Total Capital Ratio was equal to 15.95%. Below is an overview of the principal events that occurred during 2015 relevant to the capital adequacy on the Bank:

- On 10 February 2015, the ECB informed the Bank of the 2014 SREP Decision, through which the supervisory authority – in the context of the functions entrusted to it in the SSM framework – conducted a risk evaluation of the governance devices and capital and financial condition of credit institutions. The overall outcome of the 2014 SREP Decision was unfavourable for the Group due, *inter alia*, to the high credit risk, mainly related to the level of non-performing loans. Said unfavourable outcome, was influenced by the credit deterioration trend and the weaknesses related to the broader credit process, as well as other evaluations elements, such as the difficulty to achieve adequate profitability levels and to generate internal capital, the existence of relevant operational risks linked to the high level of exposure to reputational and legal risks due to the Issuer's involvement in several judicial proceedings. Vulnerabilities have also been found in the exposure to liquidity risk and to the so-called sovereign risk.

  At the end of the SREP, the ECB required the Group to achieve, starting from the completion date of the capital increase envisaged by the 2014 Capital Plan, and to maintain over time, a minimum threshold, on a transitional basis, of Common Equity Tier 1 Ratio equal to 10.2% and of Total Capital Ratio equal to 10.9%.

- After the ECB communication, the Board of Directors of BMPS resolved to propose at the extraordinary shareholders' meeting an increase in the amount of the pre-emptive capital up to a maximum of € 3.0 billion (as opposed to € 2.5 billion envisaged by the 2014 Capital Plan), for the purpose of equipping BMPS with a buffer compared to the threshold of 10.2% of common equity tier 1 requested by the ECB in the context of the SREP. On 16 April 2015, the extraordinary shareholders' meeting approved the pre-emptive capital increase for a maximum of € 3.0 billion, which was completed in June 2015. The Issuer then proceeded with the full redemption of residual nominal € 1.071 billion of New Financial Instruments (against payment of approximately € 1.116 billion, pursuant to the provisions of the prospectus for the issuance of the New Financial Instruments), completing the repayment of state aids received in 2013.

- On 1 July 2015 117,997,241 ordinary shares (the "**MEF Shares**"), equal to 4% of the share capital, have been issued in favour of the MEF, on account of interest accrued as at 31 December 2014 pursuant to the legislation relating to the New Financial Instruments, with a contextual capital increase of €243,073,800.00. The MEF gave to BMPS, in respect of the MEF Shares, a lock-up undertaking expiring on the 180th calendar day subsequent to 1 July 2015.

- On 29 September 2015, the Bank received authorisation from the ECB to include in the common equity tier 1 ratio the issuance of € 243 million ordinary shares to the MEF.

- On 25 November 2015, in order to close the prudential review and evaluation process by the ECB for financial year 2015 and pursuant to Regulation (UE) no. 1024//2013 of 15 October 2013, the SREP decision adopted by the ECB has been notified (the

"**2015 SREP Decision**"). The 2015 SREP Decision contained, *inter alia*, an indication by the supervisory authority to the Issuer to maintain the minimum capital requirement in terms of common equity tier 1 ratio on a consolidated basis at 10.75% starting from 31 December 2016 (and from 1 January 2016 to 30 December 2016, not lower than 10.2%). For further details, please refer to the paragraph "*Risk associated with the carrying out of the Supervisory Review and Evaluation Process (SREP)*" below.

The Common Equity Tier 1 ratio as at 30 June 2016 was equal to 12.11%, showing an increase of 10 basis points compared to 31 December 2015; on the same date the Tier 1 ratio was equal to 12.89%, while the Total Capital Ratio was equal to 15.58%.

The Issuer may in the future find itself, as a result of external factors, unpredictable events and events outside Group control and/or as a result of further requests by the supervisory authority, in need to resort to capital strengthening interventions for the purpose of achieving the capital adequacy standards set by the prudential regime *pro tempore* applicable. The SREP is carried out at least annually by the ECB (without prejudice in any case to the supervisory powers and prerogatives entrusted to the ECB that can be exercised on an ongoing basis during the course of the year) and, accordingly, at the end of future prudential review and evaluation processes, the supervisory authority may require that the Group, *inter alia*, maintains capital adequacy standards, with respect to the CET1 ratio, higher than those provided for in the prudential regime or than the abovementioned 10.2% and 10.75%. In such circumstances, the Issuer may need to resort to capital strengthening interventions for the purpose of achieving said standards and/or to be subject to interventions, which could be detrimental, in the management of the Bank, such as, without limitation, the imposition of restrictions or limitations on the business and/or the disposal of assets deemed too risky.

Additionally, investors should also consider that on 29 July 2016, the EU-wide EBA stress test results were published, showing a hefty CET1 ratio decrease in the adverse scenario (fully loaded at – 2.4%). The 2016 Stress Test does not have a success/failure threshold, instead it was designed to provide significant information within the 2016 supervision process. Therefore, the results will be used by the competent authorities to assess the capacity of the bank to comply with the regulatory constraints in stressed scenarios on the basis of common methodologies and assumptions

Still on 29 July 2016 the Board of Directors of the Bank has approved the guidelines of a transaction (the "**Transaction**"), which is expected to allow for the de-recognition of the Group's entire bad loan portfolio (€27.7 billion gross and € 10.2 billion net, 31 March 2016). The envisaged strengthening in coverage of non-performing exposures (i.e. bad loans, unlikely to pays and past due loans) and the de-recognition of the bad loan portfolio through the securitization structure, is expected to result, on a preliminary basis, in a capital shortfall of € 5.0 billion compared to a fully phased CET1 of 11.4%, as of 31 March 2016.

The completion of the Transaction is subject, among others, to approval by the relevant supervisory and regulatory authorities. The Bank will submit to the ECB, at the earliest possible date, a comprehensive capital plan (the "**New Capital Plan**") including the rights issue aimed at obtaining a more than adequate capital position.

At the date of the Prospectus the Issuer is not able to predict when the SREP 2016 will end, and consequently, when its results will be disclosed by the ECB. On the other hand, it cannot be ruled out that, following the outcome of the SREP 2016, the ECB will require the Issuer to

adopt specific measures, such as additional capital requirements, which may result in the need for the Bank to resort to capital strengthening interventions.

Risks associated with possible aggregations

After the publication of the outcomes of the comprehensive assessment, the Issuer appointed UBS and Citigroup as its financial advisers for the structuring and execution of the mitigation actions provided for by the 2014 Capital Plan, as well as to assess all strategic options available to the Bank, among which there is a possible aggregation transaction with a strategic or financial partner.

The above mentioned strategic transactions, solicited by ECB, remain a possibility, in spite of any pre-emptive capital increase, as additional measures along with the other activities aimed at, *inter alia*, improving the expected profitability and capacity to organically generate capital by the Bank, as well as possibly further strengthening the capitalisation and credit quality, for the purpose of addressing the issues highlighted by the ECB in the context of the SREP.

The realisation of an aggregation transaction depends, *inter alia*, upon external factors that are outside the Issuer's control, so it cannot be excluded, in whole or in part.

In the event that a possible aggregation transaction should not materialise, or should require a finalisation process more complex than that expected at the time of approval by the board and/or the shareholders' meeting, the Bank may not be in a position to benefit, in whole or in part, from the above-listed and assumed positive impacts, with possible negative effects on the business and the economic, capital and/or financial condition of the Bank and/or the Group. Furthermore, also depending on the economic terms and technical modalities through which a potential aggregation transaction could take place, the Bank shareholders may incur a dilution of their interest in the entity resulting from such aggregation.

Furthermore, should the Issuer begin an integration process with another banking group, such a transaction would expose the Issuer to risks and complexities typical of such integration processes between credit groups.

In particular, an integration would require the coordination of the respective managements, of strategies and operations of the different entities, with possible consequential amendments to the New Targets, to the Bank's business and strategic plans, and to the organisational structure thereof. The possible transaction may entail, *inter alia*, as has happened in similar transactions, the need for IT systems and operational models to converge to a single reference model. Said process entails the risks typical of the aggregation of companies, including those that occur when the integration process is not completed in the time and manner envisaged, with possible negative effects on the business and the economic, capital and/or financial condition of the Bank and/or the Group.

Furthermore, there can be no assurance about the possibility to successfully integrate and centralise the operational structure of the Group companies from an administrative and IT systems point of view; nor can there be any certainty that products and services may be rationalised and resources synchronised with the new management policy of the resulting Group, with possible negative effects on the business and the economic, capital and/or financial condition of the Bank and/or the Group.

Risk factors regarding the Montepaschi Group's business sector

Liquidity risks

The availability of liquidity as well as access to the long-term funding market represents key elements to carrying out typical activity of banks and financial institutions. In particular, the liquidity and long-term funding are crucial for a bank to be able to fulfil its payment obligations, expected or unexpected, in such a way not to prejudice its current operations or its capital and/or financial conditions.

Liquidity risk means the Bank's inability to fulfil all its payment obligations with reasonable certainty. This occurs when internal (specific crisis) or external (macroeconomic conditions) issues result in the Bank having to deal with a sudden reduction in available liquidity or with a sudden need to increase the funding.

Typically, the forms with which liquidity risk occurs are:

- *market liquidity risk*: associated with the possibility that the Bank is not able to liquidate a balance sheet asset without incurring capital losses or with realisation times generally longer due to low liquidity or inefficiencies of the relevant market; and

- *funding liquidity risk*: represents the possibility that the Bank is not able to fulfil expected and unexpected payment obligations, according to cost-effective criteria and without prejudice to its typical business or financial condition.

Previously, the macroeconomic conditions in which the Group operates has been characterised by persistent and long-lasting periods of high volatility and instability in the financial markets, initially due to the collapse of a number of financial institutions and then leading to the crisis of sovereign debt of a number of countries, including Italy. Said market instability and volatility made it difficult to raise liquidity in the institutional market, led to a contraction of interbank loans and, in some cases, significantly higher costs of funding in the retail market, in part due to the wide spread and increasing client distrust of European banking operators. The sum of said factors, *inter alia*, significantly reduced liquidity supply sources for financial institutions, including the Group.

In this general context, the specific problems of the Group, with specific reference to the outcome of the comprehensive assessment published in October 2014 and to the events of 2016 (negative results of EBA stress tests, ECB letter asking for NPL reduction received on 4 July 2016, expectations of the market about the timeline for the announced capital increase), further reduced the Group's ability to access the market which, in the course of both 2015 and 2016, has been more difficult and expensive than before. The Group's ability to raise liquidity in the future may, therefore, continue to be hampered by the difficulty to access the debt market (funding liquidity risk), having to resort to forms of debt from retail clients both through the issuance of financial instruments and through increased deposits and other forms of collection that may be highly volatile, and by the inability to promptly and effectively monetise its assets (market liquidity risk). All these risk factors may limit the Group's ability to find the necessary liquidity to carry out its typical business and comply with legislative requirements.

Furthermore, the Group, as other Italian and European financial institutions, resorted to the refinancing transactions launched by the ECB and guaranteed by assets pledged by the Issuer. As at the date of this Prospectus, the refinancing transactions in place are represented by the targeted longer-term refinancing operations ("**TLTRO II**") launched on 23 June 2016, maturing on 24 June 2020.

The Bank expects to maintain the realized TLTRO IIs and to enter into new TLTROs II in compliance with the access and substitution criteria established by the ECB and related to the credit level granted thereby to the banking system. The TLTROs will represent, assuming that the instruments made available by the ECB remain unchanged, the main medium/long term exposure to the ECB. Limited usage of MROs (Main Refinancing Operations) launched with a weekly frequency and used for the purpose of managing short-term liquidity, or other funding sources possibly made available by the ECB, may in any case take place for short-term liquidity management purposes – liquidity that may be obtained also by accessing the market through repo transactions.

In respect of the bonds sold to institutional investors, in financial years 2016 and 2017 the Bank will have to deal with the redemption of an aggregate amount equal to € 4.6 billion, of which €2.2 billion refers to 2016 and € 2.4 billion (including € 2 billion with a government guarantee sold in the market) refers to 2017. The Bank has further planned, subject to market conditions, to refinance bonds maturing in the near term with new issuances for similar amounts.

In any case, although the Bank, in the context of the Restructuring Plan, provided for such actions to cover the aforementioned redemption needs, it cannot be excluded that said actions may never be effected, also due to factors outside the management's control, and that accordingly the need to repay the exposures outstanding before the aforementioned maturity dates may cause pressure on Group liquidity, generating an increased need for funding that may be obtained under less favorable conditions, with consequential negative effects on the business and the economic, capital and/or financial condition of the Bank and/or the Group. Please see the paragraph "*Risks associated with the reduction of the system liquidity support*" below.

In the first part of 2016 a reduction of direct funding occurred due to the impact on the markets and the customers of the entry into force of the BRRD (as defined below) introducing, inter alia, the bail in tool. This has been particularly significant in Italy also as a result of actions carried out at the end of 2015 on shares and subordinated bonds of certain Italian banks.

This event is also emphasised in the ECB Draft Decision relating to the SREP 2016. In that Draft Decision and with specific reference to liquidity, the ECB in fact emphasised that in consideration of BMPS' risk profile, the Bank's deposits are characterised by significant volatility and, consequently, the Bank is subject to liquidity stress, most recently in the first few months of 2016. In particular, the ECB found that although the Bank has adopted multiple measures intended to restore deposits and the Bank's liquidity position, that position has weakened, both due to limited availability of asset encumbrance, which limits the Issuer's capacity to react to additional liquidity stress events, and due to the instability of deposit inflows, which are currently attracted by higher interest rates.

It cannot be excluded that, in the future the Group may be subject to similar pressures on its liquidity condition, also related to the other above-mentioned specific events (EBA stress

tests, ECB letter, and market uncertainty about timeline of expected capital increase), with possible negative effects on the business and the economic, capital and/or financial condition of the Bank and/or the Group.

Furthermore, the Group has significant exposure to sovereign debt securities and, in particular, to Italian public debt securities. Accordingly, a possible further downgrading of the credit rating assigned to Italy (already subjected to a number of downgrades by the main rating agencies in recent years) may have a negative impact on the liquidity and counterbalancing capacity of the Group, with possible negative effects on the business and the economic, capital and/or financial condition of the Bank and/or the Group.

The Group adopts a liquidity risk governance and management system that, in accordance with the provisions of the supervisory authorities, pursues the targets of insuring the solvability of the Group and all its subsidiaries, optimising the cost of funding, and adopting and maintaining risk mitigation tools. In the context of the aforementioned system, the Issuer focuses on:

- defining the liquidity management policies of the Group and coordinating the implementation of said policies within the companies falling within the Group boundaries;

- governing the short, medium and long-term liquidity position of the Group, at consolidated and single subsidiary level, through a centralised operational management; and

- controlling and monitoring liquidity risk for the Group and the single subsidiaries.

In its role as parent company, the Issuer therefore defines the criteria, policies, responsibilities, processes, limits and tools for the management of liquidity risk, both within the conditions of the normal course of business and in stress and/or liquidity crisis conditions, formalising the liquidity risk framework and the contingency funding plan for the Group.

In any case, in spite of the Group having set up a monitoring and management system in respect of its liquidity risk, the persisting negative market conditions and/or the worsening thereof, a negative performance of the economic scenario in general, possible further downgrades of the creditworthiness of the Bank and, more generally the Bank's inability to raise in the market the necessary resources to deal with its liquidity needs and/or legislative requirements from time to time introduced in implementation of Basel III and of the CRD IV Package (as defined below), may, on a collective or individual basis, have negative effects on the business and the economic, capital and/or financial condition of the Bank and/or the Group. Please see the paragraph "*Other risks associated with the banking and financial business"* of this Prospectus.

For liquidity risks consequent to the downgrading of the Issuer or the Republic of Italy, please see the paragraph *"Risks associated with the ratings assigned to the Issuer*" of this Prospectus.

With specific reference to the "funding plan" and the "contingency funding plan" approved by the Board of Directors of the Issuer on 28 January 2015, please also note that the JST of the ECB conducted an analysis on the related documents and, on 26 February 2015, requested some remedial actions, in particular:

a) as regards the "funding plan", the JST highlighted that the latter appears reasonable, although pointed out the possible uncertainties perceived by the market on the future of the Bank and the fact that analogous actions envisaged in 2014 had not been entirely completed;

b) as regards the "contingency funding plan", the JST highlighted that, although it provides for a range of stress scenarios, the mitigation actions of liquidity stress situations (i.e. liquidity enhancing actions) set out in the plan are, in part, limited and, overall, generic. The ECB, in particular, pointed out that, notwithstanding that each liquidity stress situation may be different and the importance of having the possibility to intervene with flexibility, it is appropriate for the "contingency funding plan" to contain an indication of actual mitigation actions, together with the supposed timings for their implementation; and

c) although not having found, as at the date of the analysis, critical issues in the intraday liquidity management strategies and processes by the Group, the ECB has further recommended that the Bank adopt a policy specifically formalised to manage intraday liquidity.

As regards the issues found and the implementation of remedial actions, the Bank took actions to implement said activities, which have been completed before the deadlines set by the ECB; in particular:

a) the Bank sent to the ECB a monthly update until December 2015, on the progress of the funding plan. As from January 2016, the Bank has been exempted by the ECB from such monthly reporting obligation since the remedial action is now considered closed;

b) the Bank, on 17 June 2015, resolved to update the "contingency funding plan" with the supplements required by the ECB. The Bank, still in June 2015, regulated the management of intraday liquidity by preparing a specific "Internal regulation in the matter of intraday liquidity management policy". On 14 March 2016 the new contingency funding plan for 2016 has been approved, which includes the integrations already made to the contingency funding plan for 2015 and the further refinements requested by the ECB.

As regards risks associated with said activity, it is not possible to ensure that the remedial actions implemented fully address the issues pointed out by the ECB, and do not give rise to the request for additional formalisations/interventions or the possible commencement of a new dialogue with the supervisory authority or exclude the imposition of sanctions to the Bank, all with possible negative effects on the business and the economic, capital and/or financial condition of the Bank and/or the Group.

Risks associated with negative results

In the course of the financial year ending 31 December 2014, the negative macroeconomic situation, the sovereign debt crisis, tensions on the main financial markets and, more generally the persistent uncertainty about economic recovery, had an impact on the Group's results, which recorded consolidated losses, respectively, for € 5,343. In particular, accrued and cumulative losses as at 31 December 2014 resulted in the reduction of the Issuer share capital by more than one third and, accordingly, on 16 April 2015 the extraordinary shareholders' meeting resolved the reduction of the share capital due to such losses.

On 14 April 2016, the ordinary shareholders' meeting approved the Bank's financial statements and the BMPS Group's consolidated financial statements as at 31 December 2015, incorporating the results already approved by the Board of Directors on 5 February 2016 and showing a net profit for the period of € 388 million. Such results have been subject to audit review and include the recognition at "closed balances" of the Alexandria transaction.

In 2015 costs relating to implementation of European Directive 2014/49 "*Deposit Guarantee Schemes Directive"* ("**DGSD**"), which established the single deposit guarantee scheme and European Directive 2014/59 ("*Bank Recovery and Resolution Directive – BRRD*"), which implemented the single mechanism for the resolution of the bank crisis, were also reported in accounts.

At 30 June 2016 the Group realised income equal to around € 2,345 million, with a decrease of 10.8% as compared to the same period in the previous year, which benefitted from the effects of restatement of the "Alexandria" transaction (impact equal to around € 202 million at 30 June 2015), net of which the aggregate would have shown a reduction of around 3%. Dynamics are influenced by the variation in interest margin (-10.8% Y/Y) which was primarily impacted by negative performance in interest-bearing assets (reduction in average volumes and drop in related returns) partly mitigated by lower interest expense as a result of a reduction in the cost of commercial funding and repayment of the NSF. Net Fees, which are impacted by a reduction in the cost of the State Guarantee on the "Monti Bond" (around € 10 million) show growth of 1.5% per annum. In the context of other income, the net result of renegotiation/evaluation of financial assets was around € 317 million less than the first six months of 2015 which also benefitted from the positive effects of restatement of the "Alexandria" transaction. Net adjustments in value due to impairment of loans, financial assets and other transactions were equal to around € 717 million, 27% lower than those registered in the same period of the previous year, primarily benefitting from a slow-down in flows for non-performing loans. Profit for the period for the Bank was around € 302 million, including – amongst other things – the entire annual Group contribution, equal to around € 71 million, paid to the Single Resolution Fund, the instalment for 2015 and the half-yearly of 2016 for DTA, equal to around € 109 million, and tax benefits of around € 134 million relating to the positive outcome of the request made by the Bank to the Tax Authorities connected to the "Alexandria" transaction.

Notwithstanding the actions undertaken in the context of the Restructuring Plan and/or further actions that may be undertaken by the Bank, the possible persistence of the economic-financial crisis and in general the persistent uncertainty relating to economic recovery may make it impossible to distribute dividends to shareholders; this, as well as the progressive weakening of the capital structure of the Bank and the Group, and the impossibility to achieve the targets of the Restructuring Plan, could have a negative effect on the business and the economic, capital and/or financial condition of the Bank and/or the Group.

Please see the paragraph "*Risks associated with the failed realisation of the Restructuring Plan and the new economic and capital targets referred to the 2015-2018 period*" of this Prospectus.

Moreover, investors should consider that at the date of this Prospectus there is some uncertainty regarding improvement in the general economic situation and therefore economic results for the Group could be influenced, in the future, by the need to make possible additional value adjustments in respect of receivables, shareholdings, goodwill and

investments in other financial assets, with significant impact, on the economic, equity and/or financial situation of the Issuer and/or Group.

Furthermore, please note that even if the Group closes the coming financial years in profit, the Issuer may not distribute dividends until the 2014 SREP Decision (as confirmed by the 2015 SREP Decision with which the supervisory authority specifically prohibited the Bank from proceeding with distributions of dividends) is revoked.

Risk associated with the existence of OTC derivatives in the Issuer portfolio

The Group negotiates derivative contracts on various types of underlyings, such as debt securities and interest rates, equity securities and share indices, currencies and gold and other underlyings, both with retail clients and institutional counterparties.

As at 31 December 2015, the Group exposure to OTC traded credit and financial derivatives with any counterparty (institutional, retail, etc.) and regardless of the reference portfolio (trading or banking) in terms of positive fair value, gross of netting arrangements, equals to Euro 6,286 million (compared to Euro 8,600 million[3] as at 31 December 2014). As at 30 June 2016 the Group exposure recorded an increase of 14.2% compared to 30 December 2015 (Euro 7,177 million).

OTC derivatives operations provide for the Group, in the first place, to take in market risks, namely the potential loss that may be recorded on the positions held as a result of unfavourable movements in the market parameters. The main risk factors to which said operations are subject are: interest rates, exchange rates, indices, commodities and the relating volatilities and correlations. Contextually, said operations expose the Group also to counterparty risks, namely the risk for the counterparty of a transaction, concerning certain financial instruments, to default before the settlement of the transaction. This may determine potential losses in case the financial instrument, at the time of the counterparty default, recorded a positive value for the Group that, accordingly, would be entitled to a credit claim against the counterparty.

The Group monitors the counterparty risk associated with the operations in derivative contracts through the definition of guidelines and policies for the differentiated management, measurement and monitoring thereof, depending on the characteristics of the counterparty. In respect of the operations put in place with financial institutions, the daily monitoring of the exposure to the counterparty risk is effected on the single credit facilities by the control units of the different business areas. Said operations are almost totally supported by netting and collateral exchange agreements. In respect of the operations with retail clients, the process is based on the distinction of roles and competences among the different entities in the Group.

In any case, it cannot be excluded that the persisting international crisis, the possible evolution of market parameters and the possible deterioration of the creditworthiness of counterparties (with consequent default and insufficiency of the collateral provided) may have a negative impact on the valorisation of said derivative instruments, with possible

[3] Figures as at 31 December 2014 have been restated according to the international accounting principle IAS 8. For further information please refer to the audited consolidated annual financial statements as at and for the year ended 31 December 2015.

negative effects on the business and the economic, capital and/or financial condition of the Bank and/or the Group.

Risks associated with the general economic/financial crisis and the crisis of the Euro Area debt

As a bank and parent company of a banking group, the results of the Issuer and of the companies belonging to the Group are significantly influenced by the general economic conditions and the dynamics of financial markets and, in particular, by the performance of the economy in Italy (determined, *inter alia*, by factors such as the soundness perceived by investors, the expected growth perspectives of the economy and credit reliability) as the Country in which the Bank operates on an almost exclusive basis and to which the Group has a relevant credit exposure.

As a result of the crisis that has affected the global markets since August 2007, global financial systems and financial markets found themselves operating in challenging and unstable conditions that required the intervention of governments, central banks and supernatural bodies in support of financial institutions, among which the injection of liquidity in the systems and direct interventions in the recapitalisation of a number of such entities. This scenario has, in fact, negatively affected financial markets worldwide.

Such negative context, in addition to having contributed to accelerate the deterioration of the public finance conditions of EU Countries, prejudiced in particular the banking systems more exposed to sovereign debts (ie. sovereign debt crisis) causing a progressive worsening of the crisis in 2012 with the consequent marked increase of the sovereign States' credit risk. Despite the interventions of the ECB, the threat of a possible default of a number of Countries in the Euro Area sprung among investors and economic operators, with a consequent general decrease in lending operations, a higher market volatility and strong issues, at an international level, in the raising of liquidity. In this context, the hypothesis of a dissolution of the European Monetary Union, represented by the "Euro" single currency, or the exit of single Countries from such monetary union (with the possible return to local currencies) has several times been threatened.

The threat of a stagnation phase of the European economy, in a high volatility context, increased to an extent such that, at the beginning of 2015, the ECB announced the launch of *Public Sector Purchase Program (PSPP)* through the purchase of € 60 billion per month of bond securities from European States, agencies and institutions.

The programme has been strengthened in the December ECB meeting, extended for an additional six months after its expiry date and broadening the scope of intervention to include securities issued by regions, local authorities and corporate bonds (investment grade). In the same meeting, the ECB decided to further cut the rate on deposits, lowering it to -0.4% and increasing to € 80 billion per month the maximum amout of the PSPP.

In March 2016, the ECB announced an increase in the quantitative easing programme by € 20 billion on the original monthly amount. In the same period, the ECB decided to launch the TLTROs II, a new series of targeted longer-term refinancing operations, intended to reinforce the ECB's accommodative monetary policy and contribute to a return of inflation rates to levels below, but close to, 2% over the medium term.

Thanks in part to these measures and to a relatively satisfactory global growth, the Euro Area's economy closed in 2015 with growth at around 1.5% and 1.6% for the first half 2016. Not even the difficulties recorded by some important emerging economies (China, Brazil, Russia) over the course of the year, although negatively impacting on the export dynamics, have been sufficient to disrupt a recovery that found important support from domestic demand. Although the global economy remains in a state of delicate balance, between the risks of an excessive down-pacing of emergent economies and the fears for a new phase of rate increases in the United States, the forecasts on consensus show constantly growing rates of approximately 1.5% also for 2016.

With specific reference to Italy, the economic performance of the country has been significantly impacted by the international crisis and has been characterised by the stagnation of the national economy, that only in the first quarter of 2015 went back to positive growth rates on a quarterly basis, by several downgrading actions of the Italian rating and by an increased spread between BTP and Bund. However, the possibilities for an Italian recovery continue to depend on the uncertain evolution of the international landscape, in addition to domestic weakness factors, such as a fragile internal demand - even though it has recently shown minor signs of vitality, a labour market which is improving but that still sees geographic and demographic areas of extreme weakness, a public accounts situation that puts Italy still at risk to be the subject of potential violation procedures by the European Commission for the failed reduction of the debt/GDP ratio and political frictions that, where exacerbated, could undermine the newly found stability of the current government.

In parallel with the improvements on the front of the financial markets and the relevant liquidity provided by the ECB, Italian credit market conditions progressively improved.

The 2015 and the first months of 2016 have been important for the banking sector. After several difficult years, such sector has returned to levels of profitability significantly improved compared to 2014, even though remaining well below pre-crisis levels. In addition, several measures have been adopted; the ones aimed at facilitating the resolution of the problem of non-performing loans are particularly important. The government launched a state guarantee on the securitization of loans ("**GACS**") and facilitated the establishment of the fund named "Atlante", which aims to support future capital increases of some banks and contribute to the disposal of non-performing loans.

Should new political instability arise in Italy, or should the tax consolidation and economy measures that the new government is adopting not be successfully implemented, the uncertainties associated with the economic and financial crisis could newly sharpen and this may lead to negative impacts on the confidence of international markets in respect of Italy, with further impacts on the valuation of the sovereign debt thereof and on the economic recovery perspectives.

The above illustrated scenarios determined, also for the Group, a slowdown of the ordinary business, a substantial increase in the cost of deposits, a decrease in the value of assets due to the decrease in bond prices, the deterioration of the credit portfolio with an increase of impaired loans and insolvency situations and further costs deriving from write-offs and depreciation of assets, with consequent decreases in the ability to generate profits. Notwithstanding the tensions that have recently lessened, there is still consistent volatility in the markets and the Italian political situation remains characterised by instability. Should this situation further deteriorate and should the Italian economy, in particular, stagnate, this may determine losses the further slowing down of ordinary business and make it more difficult

and expensive to raise the liquidity necessary to carry on business, with possible negative effects on the business and the economic, capital and/or financial condition of the Bank and/or the Group.

The Group is exposed to a number of risks relating to the United Kingdom's potential exit from the European Union

On 23 June 2016 the UK held a referendum to decide on the UK's membership of the European Union. The UK vote was to leave the European Union. There are a number of uncertainties in connection with the future of the UK and its relationship with the European Union. Until the terms and timing of the UK's exit from the European Union are clearer, it is not possible to determine the impact that the referendum, the UK's departure from the European Union and/or any related matters may have on the business of the Issuer. As such, no assurance can be given that such matters would not adversely affect the ability of the Issuer to satisfy its obligations under the Covered Bonds and/or the market value and/or the liquidity of the Covered Bonds in the secondary market.

Other risks associated with the banking and financial business

(a) *Market and interest rate risk*

The Group is exposed to the risk that the value of a financial asset (or liability) decreases (or increases) by virtue of the performance of market variables (without limitation, credit spreads, interest rates, stock prices, exchange rates).

Market risk has an impact both on the trading book – including trading financial instruments and derivative financial instruments linked thereto – and on the *banking book* – including the assets and liabilities other than those included in the trading book.

Market risk derives from potential movements in the value of financial instruments (belonging to the trading book or the banking book) as a result of fluctuations in the interest rates, exchange and currency rates, stock and commodity markets prices and credit spreads and/or other risks. Said fluctuations may be generated by movements in the general performance of the economy and of the national and international financial markets, monetary and tax policies, the global market liquidity, the availability and cost of capital, interventions of rating agencies, political events both at local and international level, and wars and terrorist acts.

Risks associated with the fluctuation of interest rates depend, in turn, on various factors that are not under the Group's control, such as monetary policies, the macroeconomic performance and Italian political conditions. In particular, the results of banking and financing transactions depend on the management and sensitivity of the Group's exposure to interest rates, that is to say on the effects that the movements of interest rates of the relevant markets produce on the interest margin and on the equity value of the Group. A possible misalignment between the interest income obtained by the Group and interest expenses due (in the absence of adequate protection tools against such misalignment), may have a negative effect on the business and the economic, capital and/or financial condition of the Bank and/or the Group (such as, without limitation, increased cost of funding to a more marked extent compared to the return on assets or the reduction of the return on assets not being set-off by a decreased cost for collecting deposits).

For managerial purposes, the market risk is monitored using a Value at Risk (VaR) measure, which represents the maximum loss that could be realised in any specified period in a specified confidence range.

In spite of the fact that the Group is equipped with specific policies and procedures aimed at identifying, monitoring and managing said types of risk, the occurrence of unexpected events or the inadequacy of the procedures adopted may have a negative impact on the business and the economic, capital and/or financial condition of the Bank and/or the Group.

In the context of market risk, the so-called "sovereign risk" associated with a possible decrease in the value of portfolio instruments as a result of the worsening of the creditworthiness of sovereign issuers is of particular relevance to the Group.

(b) *Counterparty risk*

In carrying out its activities, the Group is exposed to the so-called counterparty risk, namely the risk that the counterparty of a transaction, concerning specific financial instruments, defaults prior to settlement of the same transaction. In the context of its operations, the Group negotiates derivatives on a wide variety of underlyings, such as interest rates, exchange rates, prices in share indices, derivatives on commodities and credit rights both with counterparties in the financial services sector, commercial banks, public administrations, financial and insurance companies, investment banks, funds and other institutional clients, as well as with non-institutional clients.

The operations in derivative financial instruments and repos expose the Group, in addition to market risks and operational risks, also to the risk that the contractual counterparty does not fulfil the obligations taken or becomes insolvent before the expiry of the agreements when the Bank or the Group companies still have credit claims against said counterparty.

Such risk, which became more pronounced after the crisis and the consequent financial market volatility, may cause an additional prejudice, in case the collaterals, if any, given in favour of the Bank or another Group company, are or may not be realised or liquidated in the time, manner and size sufficient to cover the exposure to the counterparty.

The possible non-fulfilment by counterparties of the obligations taken pursuant to derivative contracts and/or the repos entered into with the Bank or other Group companies and/or the realisation or liquidation of the relating collaterals, if any, at values lower than those expected, may have a negative effect on the business and the economic, capital and/or financial condition of the Bank and/or the Group.

Risk management

The Group is highly focused on the identification, monitoring, measurement and control process of risks. The key principles that characterise the risk management process within the Group are based on a clear and strict distinction of roles and responsibilities among the business, control and internal audit functions. In particular, the Group set up an internal control and risk committee entrusted also with the periodic monitoring of the risk levels taken and that, for the purpose of more effectively controlling the aforementioned risks, established specific procedures for their control.

The Group, in carrying out its activities, takes various types of risks mainly relating to the following categories: credit risks, market risks, operational risks, counterparty risks, liquidity risks, issuer risk, concentration risk, business risks, reputational risks, real estate risks, shareholding portfolio risks, investment risks in CIUs and alternative funds, and technological risks (different from operational risks only in terms of mitigation, since managed through business continuity and disaster recovery tools). Said types of risk, managed and monitored through Group policies and procedures, can be referred – in light of the peculiar activity put in place – both to the banking book and trading book, and are subject to ongoing monitoring of different levels of controls and, where a quantitative approach is possible, of specific measurement.

In the event the policies and procedures of the Group companies aimed at identifying, monitoring and managing risks prove not adequate, or the evaluations and assumptions on which said policies and procedures are based prove incorrect, exposing the Bank to unexpected or not exactly quantified risks, the Bank and/or the Group may incur losses with possible negative effects on the business and the economic, capital and/or financial condition of the Bank and/or the Group.

In any case, regardless of the adequacy of the risk monitoring and management systems set up by the Group, the persisting economic uncertainty and financial market volatility conditions do not allow to exclude the occurrence of prejudicial events deriving from unpredictable and external events, with possible negative effects on the business and the economic, capital and/or financial condition of the Bank and/or the Group.

Finally, please note that the Bank, required by the ECB, concluded the exercise of developing and implementing specific risk management policies are consistent wih the Group's business model, with the 2013-2017 business plan's targets and with regulatory framework.

The Group adopted a Risk Appetite Framework aimed to defining the risk/return targets and, at the same time, a risk limit system. However it is not possible to assure that the evolution of market parameters, international crisis and the potential worsening of counterparty creditworth may cause possible negative effects on the business and the economic, capital and/or financial condition of the Bank and/or the Group.

Risks associated with debt restructuring transactions

In exercising banking activity and, also as a result of the economic/financial crisis that impacted on the Countries in which the Group operates, the Group is a party to several debt restructuring transactions, both bilateral and in pool, involving its clients. The deterioration of credit quality implied an increased number of debt restructuring transactions, either governed by the Royal Decree no. 267 of 16 March 1942, as amended (the "**Bankruptcy Law**"), or contractually dealt with by the Bank without resorting to the schemes provided for by Bankruptcy Law, which provide for amendments of the originally agreed contractual provisions in favour of borrowers. Said amendments concern, in particular, the granting of moratorium periods, the extension of loan amortisation plans, the write-off of a portion of the credits claimed by the Bank, the granting of new finance and/or the conversion of the whole or a part of the debt in shareholdings or other financial instruments.

With specific reference to the taking of shareholdings and/or other equity instruments through debt conversion, the Group, in the context of the aforementioned procedures, acquired various shareholdings, even significant, in funded companies, with possible inclusion within

the Group's consolidation perimeter. Possible operational or financial losses or risks, to which investee companies may be exposed may limit the Group's possibilities to sell the aforementioned shareholdings and entail the reduction of the value thereof, even to a considerable extent, with possible negative effects on the business and the economic, capital and/or financial condition of the Bank and/or the Group.

Furthermore the Group, even after the enforcement of guarantees and/or the entering into of debt restructuring agreements, holds and may in the future hold, interests, also controlling interests, in companies operating in sectors other than those in which the Group operates, *inter alia*, without limitation, the real estate and energy sectors. Said sectors require specific competencies in terms of know-how and management skills that are not included among those typical of the Group. In the delays of possible disposal transactions, the Group may find itself forced to manage said companies and possibly to include them, depending on the size of the shareholding acquired, within its consolidated financial statement. This situation exposes the Group both to risks typical of the business of the single investee companies, and to risks deriving from a non-efficient management of said shareholdings, with possible negative effects on the business and the economic, capital and/or financial condition of the Bank and/or the Group.

In particular, now that approval by the Court of Milan of the restructuring agreements by companies in the Sorgenia Group, pursuant to article 182-*bis* of the Bankruptcy Law (entered into on 14 November 2014 and effective on 27 March 2015) has become definitive, the Issuer holds a 16.67% stake in Nuova Sorgenia Holding S.p.A., a company which in turn controls Sorgenia S.p.A.. Moreover, at 30 March 2016 total Group credit exposure to the Sorgenia Group was equal to € 393.2 million in cash and € 60.1 million in endorsement loans) in addition to a quota part of a convertible loan equal to € 44.2 million and participating financial instruments in an amount of € 88.4 million.

Risks associated with the possibility to compare data relating to past financial years as well as with the adjustments to be applied starting from the preparation of the financial statement 2014

In 2015, the Bank, while confirming the validity of choices of accounting treatment for repo transactions made at the restatement in 2012 and in subsequent years, given the available *pro tempore* framework, decided to conform to the contents of the CONSOB resolution 11 December 2015, restating the financial statements for the financial years ended 31 December 2014 in accordance with IAS 8, reflecting in retrospect in the financial statements for the financial year ended 31 December 2015 the accounting treatment of the transaction Alexandria, adapting it to the one of a credit default swap. The restatement of the Alexandria transaction had a negative impact on equity at 31 December 2014 for € 196.1 million. Such amount includes the positive impact of € 423 million due to the reduction of the negative AFS reserve.

2014 has seen the first-time application of new accounting policies as follows:

(i) the new accounting principles governing consolidation (IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosure of Interest in Other Entities"), and amendments to these standards contained in the document "Investment Entities". The retrospective application of said principles entails, as at 31 December 2013, a negative impact on the Group net equity equal to € 7.9

million and a positive impact on third parties' non-controlling interests equal to € 25.0 million, net of the tax effects;

(ii) the amendment to the International Accounting Standard ("**IAS**") 32 "Offsetting Financial Assets and Financial Liabilities". The retrospective application of said amendment resulted in the balance sheet netting of financial assets and liabilities generated by OTC derivatives cleared through clearing houses, for a total of € 628,2 million as at 31 December 2013, with no impact on the Group equity.

In light of the above retrospective adjustments, please note that comparative data relating to the financial year ending 31 December 2014, derived from the financial statement 2015, have been restated to retrospectively reflect the changes applied to the financial statement 2014. The processes to re-determine comparative data and the information relating to the restated data as at 31 December 2014 have been examined by the auditor for the only purpose of issuing the opinion on the financial statement 2015.

Please note that this Prospectus incorporates managerial information relating to financial years ending 31 December 2015 and 2014, which are subject to an accounting audit.

Said information has been derived and/or calculated on the basis of the financial information included in the consolidated management report relating to the financial years ending 31 December 2015 and 2014.

Although the Bank believes that said information does not significantly differ from the data that would have been obtained after a restatement or accounting audit exercise, it is not possible to exclude that said restatement activity or auditing activity may have determined variations in said data.

In consideration of the fact that: the data referring to 31 December 2014, restated for comparative purposes in the context of the 2015 financial statement, have been examined by the auditor for the sole purpose of issuing the opinion on the 2015 financial statement, investors are invited to take due account of said circumstances in making their investment choices.

Risks associated with ratings assigned to the Issuer

The risk linked to an issuer's capacity to fulfil its obligations, arising after the issuance of debt instruments and money market instruments, is in practice defined by way of a reference to the credit ratings assigned by independent rating agencies. Said valuations and related researches may be of help to investors in analysing credit risks linked to financial instruments, since they provide indications about issuers' capacity to fulfil their obligations. The lower the rating assigned on the respective scale by the rating agency, the higher the risk that an issuer will not fulfil its obligations at maturity, or that it will not fully and/or timely fulfil them. On the other hand, the 'outlook' represents the parameter indicating the expected short-term trend for the ratings assigned to an issuer.

As at the date of this Prospectus, the Issuer has been assigned ratings by the international agencies Moody's, Fitch and DBRS. Said agencies, on 31 October 2011, obtained the registration under Regulation no. 1060/2009/CE of the European Parliament and the Council of 16 September 2009 relating to credit rating agencies.

With respect to the ratings assigned by the aforementioned international agencies as at the date of this Prospectus, please refer to the paragraph "*Ratings*" set out in the section "*Banca Monte dei Paschi di Siena S.p.A.*" of this Prospectus.

Please note that on 14 June 2013, upon BMPS request, the rating agency Standard & Poor's announced the withdrawal of the rating. At the time of the closing of the relationship, the long-term rating was taken to "B", with a negative outlook; the short-term rating was confirmed at "B".

The deterioration of the national and international economic landscape, together with the sovereign debt crisis, have been crucial factors, starting from 2011, in the negative performance of the rating assigned to the Republic of Italy, to the most important financial institutions of the Country as well as to the Bank.

In determining the rating assigned to the Issuer, agencies further take account of and examine various Group performance parameters, among which is the profitability and ability to maintain its capital ratios within certain levels. Should the Issuer and/or one of the subsidiaries that has been assigned a rating not achieve or maintain the results measured by one or more parameters, and if the Group is unable to maintain its capital ratios within the pre-identified level, this may led to a downgrade of the rating assigned by the agencies, with a consequent higher cost to raise funding, less easy access to the capital markets, negative repercussions on the Group liquidity and the possible need to supplement the collaterals given.

The Issuers' rating may furthermore be impacted by the rating of the Italian State which, as at the date of this Prospectus, is higher than that of the Issuer. As at the date of this Prospectus, in fact, the rating assigned by Moody's to the Italian Government securities is equal to "Baa2" (stable outlook), the rating assigned by Fitch is equal to "BBB+" (stable outlook) and that assigned by DBRS is equal to "A (low)" (*Under Review with Negative Implications*).

Therefore, a possible downgrading of Italy's sovereign rating may lead to a further downgrading of the Issuer's rating, with consequential negative effects on the business and the economic, capital and/or financial condition of the Bank and/or the Group.

The creditworthiness represents the ease at which the Issuer can access the market to obtain unsecured loans. A possible reduction of rating levels assigned to the Issuer or the withdrawal of one or more of the aforementioned ratings may unfavourably impact the opportunities for the Bank and the Group to have access to the various liquidity instruments and on the ability thereof to compete in the market, a situation that may cause increased deposit collection costs or request the constitution of additional guarantees for the purpose of raising liquidity, with consequential negative effects on the business and the economic, capital and/or financial condition of the Bank and/or the Group.

Possible changes to the Issuer's ratings that may intervene during the validity period of this Prospectus, or the possible subjection to their review by the rating agencies, will be disclosed to the public by way of specific press releases published on the Issuer's website (www.mps.it).

Risks associated with the disposal and evaluation of shareholdings

As at 30 June 2016, the value of shareholdings amounted to € 948 million; the most relevant

are AXA MPS Assicurazioni Vita S.p.A. (€ 693 million), Fondo Etrusco (€ 64 million), Fidi Toscana S.p.A. (€ 43 million) and AXA MPS Assicurazioni Danni S.p.A. (€ 65 million). As at 31 December 2015, the value of shareholdings amounted to € 908 million; the most relevant were AXA MPS Assicurazioni Vita S.p.A. (€ 658 million), Fondo Etrusco (€ 63 million), Fidi Toscana S.p.A. (€ 46 million) and AXA MPS Assicurazioni Danni S.p.A. (€ 57 million).

The shareholding in Anima Holding ("**Anima**") has been the subject matter of a preliminary sale-purchase agreement entered into between the Issuer and Poste Italiane S.p.A. ("**Poste**") on 14 April 2015. On 25 June 2015, the Bank disclosed to have finalised the definitive agreement for the purchase by Poste of the 10.3% shareholding held by MPS in Anima, all conditions precedent provided for in the preliminary sale-purchase agreement having been met.

As at the execution date of the sale-purchase agreement (30 June 2015), Poste took over every right and obligation of MPS pursuant to the shareholders' agreement concerning the Anima shares originally subscribed on 5 March 2014 between MPS and Banca Popolare di Milano S.c.ar.l..

In compliance with the provisions of the international accounting principle IAS 36, an impairment test is periodically conducted in respect of shareholdings.

As at 31 December 2015, analysis of impairment indicators showed total value adjustments equal to € 10.1 million, relating to Marinella S.p.A. for € 6.2 million, to Terme di Chianciano S.p.A. for € 2.2 million and three minor holdings for € 1.7 million.

As at 30 June 2016 in compliance with the provisions of the international accounting principles, the impairment parameters of the related and under joint control shareholdings have been evaluated, and no reason was found to conduct an impairment test.

Should the Bank be forced to review, also due to extraordinary and/or disposal transactions as well as changed market conditions, the value of the shareholdings held, the same may be forced to apply write-downs with possible negative effects on the business and the economic, capital and/or financial condition of the Bank and/or the Group.

In the context of the Restructuring Plan and of the undertakings given by the Bank in relation to the state aids procedure, the disposal of the non-core shareholdings held by the Bank, including the provision of the shareholdings in MPS Leasing & Factoring S.p.A. (leasing sector), Monte Paschi Banque S.A. and Banca Monte Paschi Belgio is exptected by certain deadlines.

At the date of this Prospectus, the conditions necessary for their implementation have not yet been fulfilled, since the aforementioned disposals should take place in the absence of adverse effects on business and on the economic and/or financial situation of the Bank and/or Group. In this regard, the aforementioned disposals can be deferred if offers received are lower than the book value of the shareholding or such that they cause excessive losses in the consolidated financial statements for the Bank. Moreover, if it is not possible to realise one or more of the aforementioned disposals (also through a third party appointed specifically) without this causing excessive loss for the Bank (intended as a loss that would put sustainability at risk), the Issuer may propose alternative measures to the European

Commission. With specific reference to the MPS Leasing & Factoring S.p.A. shareholding, the Issuer has opted for to exit the business by means of commercial distribution agreements.

Operational Risk

In carrying out its business, the Group is exposed to the so-called operational risk, namely the risk to incur losses deriving from the inadequacy or malfunctioning of corporate procedures, from errors and shortcomings of human resources, internal processes or IT systems, or from external events. This type of risk includes losses deriving from fraud, human error, discontinuation of operations, unavailability of systems and increasingly resorting to the atomisation and outsourcing of corporate functions, contractual non-fulfilments, natural catastrophes, low IT security and legal risks, while strategic and reputational risks are excluded. Operational risks differ from other risks typical of the banking and financial business (credit and market risks) because they are not taken by the Bank based on strategic choices, but are embedded in its operations and present everywhere.

The Group, in order to mitigate the possible negative consequences associated with said type of risk, implemented an internal model to determine the capital requirement versus operational risks (the "**Advanced Measurement Approach**" or the "**AMA**"), validated by the Bank of Italy for reporting purposes, starting from June 2008. This model includes specific rules governing the identification, measurement, monitoring and mitigation of operational risk process and methodologies.

After five years from the initial recognition of the internal models for operational risks for the purpose of calculating capital requirements, the internal advanced model (AMA) has been reshaped to align it with market best practices and include within the calculation requirement reduction techniques, such as the deduction of expected losses and the diversification among risk classes.

At January 2014, the Group was authorised by the Bank of Italy to use these reduction techniques for operational risks in respect of data at 31 December 2013. On 18 July 2014, BMPS submitted to the Bank of Italy a new request for authorisation to recognise developments in methodological interventions to the system for the measurement of risks for the determination of the capital requirement for operational risks. Following that request, BMPS was authorised to adopt the changes requested for the determination of capital requirements, commencing from 31 December 2014.

As at 31 December 2015, the Group capital requirements versus operational risks were reduced to € 702.9 million from € 708.3 million as at 31 December 2014. Again as at 31 December 2015, both the number of operational risk events and the overall amount decreased compared to the same period in 2014.

As at 30 June 2016, the Group capital requirements versus operational risks amounted to € 678.4 million (- € 24.4 million compared to 31 December 2015).

In any case, it is not possible to exclude that, in the event that the actions undertaken and/or procedures adopted prove in adequate, this could have a negative effect on the business and the economic, capital and/or financial condition of the Bank and/or the Group.

Risks associated with securitisation transactions

Starting from 2000, the Group realised several securitisation transactions with the purpose, on a case-by-case basis, of finding funding resources, or releasing supervisory capital or optimising its counterbalancing capacity.

In the course of the 2014 financial year the Group did not carry out any new securitisation, while in the course of 2015, the Group carried out two new securitisations: (i) Siena Consumer 2015 S.r.l. relating to another portfolio of dedicated, personal and self loans, originated by Consum.it S.p.A. and the senior securities of which – similarly to the preceding transaction – have been placed through a private placement with institutional investors; and (ii) Siena PMI 2015 S.r.l., relating to a portfolio of loans to small and medium enterprises originated by BMPS, the senior securities of which have been placed through a private placement with institutional investors.

In January 2016, the Group finalised the securitisation transaction Siena Lease 2016-2 S.r.l. on a leasing credit portfolio originated by MPS Leasing & Factoring S.p.A. and the senior securities of which have been placed with institutional investors.

In June 2016, the notes issued by Siena Mortgages 2009-6 S.r.l. in connection with the securitisation Siena Mortgages 2009-6 (II serie) have been redeemed. The outstanding portfolio of €1.536.363.443,86 as at 25 May 2016 has been acquired by the Issuer with no impact on the balance sheet as the transaction didn't involve any derecognition of the assets.

The structure of the securitisation transactions put in place provided for the Group to assign the identified assets to a special purpose vehicle and to purchase the junior tranche – where issued by the vehicle – and, in particular in the most recent transactions, also the mezzanine and senior tranches.

Assets assigned to the special purpose vehicles have usually not been deleted from the Group consolidated financial statement. Therefore, the risk relating to said transactions is represented in the financial statement by virtue of retention at balance sheet assets level of the receivables being assigned, which then continue to be fully evaluated, based on the expected cash flows actualised at the original interest rate.

With particular reference to restructuring of the "Chianti Classico" transaction commenced in December 2013 and concluded in April 2014, investors should note that capital requirements generated on a consolidated basis by restructuring of the transaction were around 34 base points with respect to Core Tier I Ratio, 35 base points for Tier 1 Ratio and 40 Base Points for Total Capital Ratio, caused by the combined effect of the reduction in Core Tier 1 and the increase in Risk Weighted Assets (RWA) due to consolidation of real estate assets at 31 December 2013.

On 30 September 2016, through a securitisation transaction, BMPS sold to Siena PMI 2016 S.r.l. a portfolio of loans granted to SME, originated by BMPS, for a debt balance of 1,739,759,866.52 as at 23 September 2016. In October 2016 Siena PMI 2016 S.r.l. is expected to complete such transaction by issuing the relevant Notes.

Risks associated with the Group asset valuation assumptions and methodologies

In accordance with the regime laid down by the IAS, the Group prepares evaluations,

estimates and hypotheses which affect the application of the same principles and reflect themselves on the amounts of assets, liabilities, costs and revenues recorded in the financial statement. The estimates and relating hypotheses are based on previous experiences and on other factors considered reasonable in the specific circumstances and are adopted for the assets and liabilities the book value of which cannot be easily inferred from other sources.

In particular, the Group adopts estimated processes in support of the book value of the most important items of the financial statement. The elaboration of said estimates entails the use of available information and the adoption of subjective evaluations. By their nature, estimates and assumptions used may vary from year to year and, accordingly, it cannot be excluded that in the coming years the values currently recorded in the financial statement may vary, also to a significant extent, after changes to the subjective evaluations used. Said estimates and evaluations are, thus, difficult and bring along inevitable uncertainty elements, also in the presence of stable macroeconomic conditions.

Estimation processes are largely based on the future recoverability of the values recorded in the financial statement according to the rules laid down by the applicable provisions, with a view to business continuity, namely not taking account of the cases of forced liquidation of the item being evaluated.

The estimation uncertainty risk is substantially embedded in the determination of the following values:

- fair value relating to illiquid items, not listed on active markets;
- impairment losses on receivables and, in general, financial assets;
- fairness of the value of shareholdings, tangible assets, goodwill and other intangible assets;
- liabilities for the estimate of the severance indemnity and other defined benefits due to employees;
- provisions for risks and charges; and
- recoverability of deferred taxes,

the quantification of which is mainly linked both to the evolution of the national and international environment, and to the performance of financial markets, with consequential impacts on the performance of rates, fluctuation of prices, assumptions of actuarial estimates and, more generally, creditworthiness of counterparties.

The estimation processes are particularly complex in consideration of the persisting uncertainty to be found in the macroeconomic and market environment, characterised both by relevant volatility levels in the financial parameters crucial for the purpose of the evaluation, and by still high credit quality deterioration parameters.

The parameters and information used to estimate the abovementioned values are then significantly impacted by the aforementioned factors, in respect of which it cannot be excluded that a worsening of the related performance may give rise to negative effects on the items under evaluation and, ultimately, on the operational results and the economic, capital and/or financial condition of the Bank and/or the Group.

By virtue of the fair value evaluation of its own liabilities, the Group may economically benefit from the lowering of its credit spread and of that of its subsidiaries. Said benefit (lower value of liabilities), net of the relating hedging positions, may decrease, with a negative impact at income statement level for the Group, in the event of improved credit spread.

It cannot be excluded that: (i) future movements of the fair value of financial instruments and/or their classification; (ii) the need to liquidate assets not valued at fair value before maturity; and, more generally (iii) the occurrence of circumstances or events that may make the estimates and evaluations effected no longer actual compared to the period they refer to, may have a negative effect on the business and the economic, capital and/or financial condition of the Bank and/or the Group.

Risks associated with the market value of owned properties

In recent years, the Italian real estate market continued to record a downfall of investments both in residential and non-residential buildings, with corresponding reductions in the sale-purchase of properties mainly referred to the economic uncertainty, challenging perspectives of the labour market, decreased disposable income, as well as exacerbation of the tax burden on the various type of properties.

The Group evaluates owned properties at cost, net of accumulated amortisations and of possible losses in value. Buildings are systematically amortised using the straight-line method based on the expected useful life, while land is not subject to amortisation since its usefulness is indeterminate.

In compliance with the indications provided by the international accounting principle IAS 36 ("Reduction of asset value") and with the recommendations provided for in document no. 4 of 3 March 2010 jointly issued by the Bank of Italy, CONSOB and ISVAP (now IVASS), for the financial year ending 31 December 2015, a general assessment of the real estate assets has been conducted aiming at finding value losses, if any, to be allocated to the income statement for the financial year.

Taking account of the fact that, in the context of the fair value review associated with the asset quality review, the opportunity had emerged as at 31 December 2014 to apply write-downs on the real estate assets of the Group for € 11 million, the Issuer asked to receive new estimates on all items in respect of which, in the context of the asset quality review, a write-down opportunity had emerged. Based on such estimates, the Group recorded, as at 31 December 2014, adjustments equal to approximately € 4 million (compared to € 11 million as emerged in the context of the asset quality review). In any case, please note that the Bank carried out a broader assessment of the real estate assets values which entailed, for the financial year ending 31 December 2014, overall adjustments equal to € 41.3 million.

The valuation of further extraordinary elements, not known as at the date of this Prospectus, compared to those used may lead to a different determination of the value of owned properties and entail in the future the need for further adjustments of the same properties' value. Each such factor may have a negative effect on the assets and the capital, economic and/or financial conditions of the Bank and/or the Group.

Risks relating to DTAs

As at 30 June 2016 the DTAs were equal to € 3,451 million (compared to € 3,313 million as at 31 December 2015), of which € 2,351 million (compared to €2,389 million as at 31 December 2015) is transformable into tax credits in accordance with the Law no. 214 of 22 December 2011 (the "**Law 214/2011**").

Please note that Law 214/2011 provided for the transformation into tax credits of DTAs relating to write-downs and loan losses, as well as those relating to the value of goodwill and other intangible assets (i.e., DTAs eligible for transformation) in case the company records a loss for the period in its individual financial statement. The transformation into tax credit operates with respect to DTAs recorded in the financial statement in which the loss is found and for a fraction thereof equal to the ratio between the loss amount and the company's equity.

Law 214/2011 further provided for the transformation of DTAs also in the presence of a tax loss, on an individual basis; in this case, the transformation operates for the DTAs recorded in the financial statement versus the tax loss for the portion of the same loss generated by the deduction of the above illustrated negative income components (write-downs and loan losses, goodwill and other intangible assets).

In the current legislative framework, accordingly, the recovery of DTAs eligible for transformation seems guaranteed for the Issuer in case the latter does not generate adequate future taxable income capable of ordinarily absorbing the deductions corresponding to the DTAs recorded. The tax regime introduced by Law 214/2011, as stated in the Bank of Italy/CONSOB/ISVAP (now IVASS) Document "Accounting treatment of deferred taxes deriving from Law 214/2011" no. 5 of 15 May 2012, in granting "certainty2 to the recovery of DTAs eligible for transformation, impacts in particular on the recoverability test laid down by the accounting principle IAS 12, basically having it automatically met. Even the regulatory legislation provides for a more favourable treatment for DTAs eligible for transformation compared to the other types of DTAs; the former in fact, for the purpose of the capital adequacy requirements with which the Group shall comply, do not constitute negative elements at equity level and are included amount Risk Weighted Assets with a weighting of 100%.

Investors should note that on 3 May 2016 Decree Law no. 29/2016 was published in the Official Journal, effective from the day following its date of publication and converted in to Law on 30 June 2016.

This Decree provided, amongst other things, for provisions on deferred tax assets according to which companies can continue to apply rules applicable to the conversion into tax credits of deferred tax assets, provided that they exercise a specific irrevocable option and pay an annual instalment to be paid with reference to each financial year commencing from 2015 and subsequently, if the conditions are met annually, up until 2029. As clarified in the press release by the Council of Ministers on 29 April 2016, this rule will overcome doubts raised by the European Commission regarding the existence of components of State aid within current regulations relating to deferred tax assets.

More in detail, the instalment for a given financial year is established by applying a 1.5% rate to a "base" obtained by adding to the difference between transformable DTA recorded in the financial statements for that year and the corresponding DTA recorded in the 2007 financial

statements, the overall amount of transformations into tax credits carried out until the financial year in question, net of taxes, identified in the Decree, paid with reference to the specific tax period established in the same Decree. The instalment can be deducted from income tax.

The Bank exercised the option paying the instalment due for 2015, within the deadline of 31/7/2016, in an amount of 70.4 million Euro.

With reference to the foreseen amount of convertible DTAs, please note that due to the measures introduced by Law Decree no. 83/2015 (as converted into Law on 6 August 2015 no. 132) it be will no longer incremented in the future. In particular, as from 2016 the basis for the recognition of DTAs arising from write-downs and credit losses will cease, such negative components will become fully deductible income.

As for the DTAs related to goodwill and other intangible assets, if included in the balance sheets from 2015 onwards they will no longer be convertible into tax credit as a result of the aforementioned Law Decree 83/2015.

In any case, please note that Law Decree 83/2015, by recognising the immediate deductibility of write-downs and credit losses, will entail for future years after 2015 a relevant reduction of the tax deductibility regime for corporate income tax ("**IRES**") (and regional business tax "**IRAP**") taxable income for the Group, extending, as a result, the time period for the absorption of tax losses and prior EGS (as defined below) surplus and, accordingly, of the DTAs associated with said losses and surpluses. However, the failed recognition among DTAs eligible for transformation relating to goodwill and other intangible assets recorded since 2015, introduced by Law Decree 83/2015, will have no impact on the Group.

Given the above, the more relevant deferred tax assets accounted in the balance sheet as at 31 December 2015 and in the half year financial statement as at 30 June 2016, different from the ones which are transformable pursuant to Law 2014/2011, are commented on below.

Deferred tax assets related to impairment of loans and related losses amounted to approximately €1,262 million as at 30 June 2016 (€1,299 million as at 31 December 2015). Such assets are expected to be naturally reduced over time, being equal to zero in 2025.

Deferred tax assets related to goodwill amounted to approximately €1,075 million as at 30 June 2016 (€1,080 million as at 31 December 2015). Such assets are expected to be naturally reduced over time, as they are gradually converted into current tax assets. The fiscal amortization of tax-certified goodwill takes place on a straight-line basis over several years. Currently, it is not anticipated that there will be any increase in tax-deferred assets arising solely from tax certification of goodwill as a result of any acquisition of business divisions or similar long-term investments.

Deferred tax assets related to capital losses recorded in the specific equity valuation reserves is equal to € 237 million ad at 30 June 2016 (€ 207 million as at 31 December 2015). Said reserves represent the fair value movements of cash flow hedging derivatives and of securities recorded among the financial statement assets under item "financial assets available for sale".

In the half year financial statement as at 30 June 2016 DTAs recognised as tax losses are € 418 million (€ 313 million as at 31 December 2015) and as EGS (as defined below) surpluses

for € 71 million (€ 25 million as at 31 December 2015). EGS surpluses refer to the portion of tax incentive known as "Economic Growth Support" ("**EGS**") introduced by art. 1 of Law Decree 201/2011 not used in the prior financial years, due to insufficient taxable income; please note that said incentive provides, for companies that have increased their capital resources compared to the respective size as at 31 December 2010, for the right to operate a downward amendment to their taxable income by an amount equal to the notional return on the realised capital increase; the downward amendment is recognised for the financial year in which the capital increase took place as well as for each of the subsequent years and, in case of insufficient taxable income of one of those, may be deducted from the following years' income. The notional return is determined by applying the percentage rate identified on an annual basis with the decree of the Ministry of Economy and Finance to be issued on 31 January of the year subsequent to the reference year; the notional return is valuated, for the tax period current as at 31 December 2015, as equal to the 4.5% rate and for the tax period current as at 31 December 2016 equal to the 4.75% rate. Although the carry forward of tax losses and EGS surpluses is not subject, according to the tax regime in force, to any time limit, the prudential legislation provides in respect of the respective DTAs for a more unfavourable treatment compared to that of the other DTAs not eligible for transformation into tax credits pursuant to Law 214/2011, since they are deducted from equity according to the phasing-in percentages without the benefit of the excess mechanism.

DTAs for tax losses and for EGS surpluses have been recognised in the interim financial statement as at 30 June 2016 (as in the 2015 financial statement) after verification of the reasonable existence of future taxable incomes, derived from the 2013-2017 business plan, sufficient to guarantee their absorption in the coming financial years; on these bases, a progressive reduction to zero of said DTAs is expected for the future.

However, this may have a negative effect on the business and the economic, capital and/or financial condition of the Bank and/or the Group in case, for whatever reason, currently unpredictable, the aforementioned future taxable incomes should result lower than those estimated, and not sufficient to guarantee the absorption of the DTAs at hand; the same negative effects may also derive from the issuance of measures amending the current reference legislative context.

Risks arising from legal and administrative proceedings

As of the date of this Prospectus, there are several sets of legal proceedings pending against the Issuer in part related to criminal investigations and judicial matters in which the bank was involved in 2012 and 2013 and in part connected with the normal performance of ordinary activities.

(a) Risks arising from civil, criminal and administrative litigation linked to criminal investigations and judicial matters in 2012 and 2013

A part of the legal proceedings originates from an extraordinary and exceptional situation also linked to the criminal investigations launched by public prosecutors and the judicial matters in which the Issuer was involved in the years 2012 and 2013 and which relate mainly to financial transactions aimed at obtaining financial resources required for the acquisition of Banca Antonveneta and financial transactions carried out by the Bank, including the transactions connected to the restructuring of the "Santorini" transaction, to the "Alexandria" notes, to the previous capital increases carried out by the Bank in 2008 and 2011 and to the FRESH 2008 transaction.

The claims for liability brought by the Bank against the Chairman of the Board of Directors at the time of the events, Giuseppe Mussari, and the former General Manager, Antonio Vigni and the actions for liability in tort brought at the same time against Nomura and Deutsche Bank AG ("Deutsche Bank") in relation to the transactions connected to the restructurings of the "Santorini" transactions and the "Alexandria" notes (the action for liability in tort against Deutsche Bank was the subject matter of a settlement agreement signed on 19 December 2013, which determined the early termination of the "Santorini" transaction) should also be included within the scope thereof.

In relation to the civil litigation brought in relation to the restructuring of the "Alexandria" notes and the actions brought against the then Chairman of the Board of Directors, Giuseppe Mussari, and the then general manager, Antonio Vigni, before the Court of Florence, the Bank seeks a declaration of liability on the part of the company executives and obtained a ruling at first instance against the then general manager Antonio Vigni awarding compensation for damages in favour of the Bank.

It is also to be noted that Fondazione MPS brought two separate proceedings on the one hand against Mr. Mussari, Mr. Vigni and Nomura and on the other hand against Mr. Vigni and Deutsche Bank, bringing in both cases an action for liability against the defendants under art. 2395 of the Italian Civil Code for direct damages allegedly suffered by Fondazione MPS for having subscribed the capital increase of BMPS resolved upon in 2011 at a price other than it would have been right to subscribe if the restructurings, respectively "Alexandria" and "Santorini", had been duly reported in the financial statements of BMPS.

The Issuer had been sued in these proceedings: (i) by Mr. Vigni on account of a hold harmless undertaking (towards third parties) allegedly undertaken by the Bank towards him in the consensual termination of the of the employment relationship with the executive; (ii). Mussari, on grounds of the liability of the bank under art. 2049 of the Italian Civil Code on account of the action of several executives allegedly responsible for the transaction carried out with Nomura.

Following the aforementioned investigations carried out by the Public Prosecutor in 2012 various sets of criminal sanction and civil proceedings were launched by the Public Prosecutor, the Regulatory Authority, consumer organisations investors and the Bank. The position of the Bank in respect of these proceedings followed the principles of corporate and managerial discontinuity which marked the actions for renewal taken by the new management aimed at identifying the best initiatives to safeguard the bank and its assets and image, including by way of legal action against the previous senior management and the counterparties.

The actions taken by the investors - relating to the allegedly false prospectuses and/or the allegedly incorrect information which formed the basis of the investment decisions by the subscribers could be subject to increases, including significant increases, in respect of those which until that time had an overall *petitum*, as of the date of this Prospectus, of around € 283 million. The actions taken by the investors could increase, including to a significant degree, in terms of number and compensation claims, in respect of those brought until the date of this Prospectus, in particular following the results of the proceedings brought subsequent to the investigations by the Public Prosecutor started in 2012 and also those brought by the Public Prosecutor at the Courts of Milan in which the Issuer is involved pursuant to Legislative Decree No. 231/2001.

A defeat in these proceedings, in other words an outcome other than the one envisioned, as well as the bringing of new proceedings and/or the increase in compensation claims brought could have negative effects, including significant effects on the activities and the economic and/or financial situation of the Bank and/or the Group.

In relation to the transaction connected to the restructuring of the "Alexandria" notes, it is to be noted that following the service on 3 April 2015 – of the order closing the preliminary investigations pursuant to under art. 415-*bis* of the Italian Code of Criminal Procedure, the Public Prosecutor at the Court of Milan filed the request for the indictment of Mr. Mussari, Mr. Vigni against Baldassarri and two members of the management of Nomura in relation to the offences set out under art. 2622(1)(3) of the Italian Civil Code regarding false corporate communications as per art. 185 of the Consolidated Finance Act regarding market manipulation committed jointly by them by way of relevant conduct for the purposes of art. 3 and 4(1) of the Law No. 146/2006 on transnational offences.

In relation to these alleged crimes by the aforementioned natural persons the Public Prosecutor also requested the indictment of the Issuer and Nomura in relation to the administrative wrongdoing as per art. 25-*ter*, point c), and 25-*sexies* of Legislative Decree No. 231/2001.

In relation to the further line of investigation concerning the "FRESH 2008" "Alexandria" , "Santorini" and "Chianti Classico" transactions the Public Prosecutor at the Court of Milan - by way of the court order of 13 January 2016 – ordered the service upon thirteen natural persons of the notice of conclusion of preliminary investigations pursuant to art. 415-*bis* of the Italian Code of Criminal Procedure for the crimes of: (i) false corporate communications (art. 2622 of the Italian Civil Code) and (ii) market manipulation (art. 185 of the Consolidated Finance Act) in relation to the impact of the transactions in question on the financial statements for the financial years 2008, 2009, 2010, 2011 and the financial position as of 31 March 2012, 30 June 2012 and 30 September 2012; (iii) false accounting (art. 173-*bis* of the Consolidated Finance Act) in relation to the prospectuses relating to the two capital increases carried out by the Issuer in 2008 and 2011 and to the prospectuses relating to the offers of bonds and certificates produced in the period 2008-2012; (iv) impeding the exercise of the supervisory functions of CONSOB and the Bank of Italy (art. 2638 of the Italian Civil Code). For some of the crimes the relevant behaviour for the purposes of art. and 4 (1) of Law No. 6/2006 regarding transnational offences was also alleged.

In relation to some of the complaints against the aforementioned natural persons as the senior persons of the bodies involved, the Public Prosecutor also served the notice of conclusion of investigations upon: 1) BMPS in relation to the administrative wrongdoing set out in art. 25-*ter* point b), 25-*ter* point s) and 25-*sexies* under Legislative Decree No. 231/2001 arising from the charge of the respective offences of false corporate communications (art. 2622 of the Italian Civil Code), impeding the exercise of the functions of public regulatory authority (art. 2638 of the Italian Civil Code) and market manipulation (art. 185 of the Consolidated Finance Act) and 2) upon Deutsche Bank AG, Deutsche Bank AG London Branch and Nomura International PLC London in relation to the administrative wrongdoing set out in art. 25-ter *point b*), and art. 25-*sexies* set out in Legislative Decree No. 231/2001 arising from the respective offences of false corporate communications (art. 2622 of the Italian Civil Code), and market manipulation (art. 185 of the Consolidated Finance Act).

The extraordinary situation originated from these judicial matters and the plurality of legal proceedings brought on several fronts and their evolution – including in the case of any

compensation claims to which the Bank may be subject – could have negative effects, including substantial negative effects, on the assets and economic and financial situation of the Bank and/or the Group.

For further information on the litigation linked to the criminal investigation, please see also the paragraph "*Legal Risks*" (set out in the section "*Banca Monte dei Paschi di Siena S.p.A.*" of this Prospectus).

(b) Risks connected to the investigations conducted by the Regulatory Authorities

To the events mentioned in the sub-paragraph above can be linked several sanctions proceedings, now terminated, brought by the Regulatory Authorities mainly against the management in office at the time of the events (in which the Bank was jointly liable without any certainty that it could recover the amount paid pursuant to such obligation following the actions for recourse) and the Bank under art. 187-*quinquies* of the Consolidated Finance Act and some legal actions brought against the bank by consumer organisations within the context of share issues carried out by the Bank. It is to be noted that CONSOB, respectively by way of resolutions nos. 18885 of 17 April 2014 and resolution no. 18886 of 18 April 2014, concluded the sanctions proceedings brought in relation to possible irregularities in the drawing up of the prospectuses relating to the capital increases carried out respectively in the financial year 2008 and the financial year 2011. By way of these sanction resolutions CONSOB imposed administrative fines amounting to € 450,000 and € 700,000 upon the directors and *pro tempore* auditors of the Bank divided between the individual persons depending on the position held by each corporate manager and the actual function exercised within the Bank. The Bank did not appeal against either of these orders and paid the fines as it was jointly liable and began in some cases the preparatory activities for the actions for recourse. On the basis of allegations similar to those brought in the two sets of sanctions proceedings referred to above, CONSOB, by way of resolution no. 18924 of 21 May 2014, also concluded the sanction proceedings due to irregularities in the drafting of the prospectuses for bonds and certificates published by the Issuer in the period 2008-2012, imposing administrative fines amounting in total to € 750,000 upon the directors and *pro tempore* auditors of the Bank.

For a more detailed description of the proceedings arising from the inspections made by the Regulatory authority please refer to paragraph "*Legal Risks*" set out in the section "*Banca Monte dei Paschi di Siena S.p.A.*" of this Prospectus).

(c) Risks connected to the litigation arising from the performance of ordinary activities

In the course of the normal performance of activities the Group is involved in various sets of proceedings regarding, amongst other things: clawback actions, compound interest, placement of bonds issued by countries and societies in *default*, placement of other instruments and financial products.

For a more detailed description of the litigation arising from the performance of ordinary activities please refer to the paragraph "*Legal Risks*" set out in the section "*Banca Monte dei Paschi di Siena S.p.A.*" of this Prospectus).

During the normal performance of its activities, the Group is also subject to inspections by the Regulatory Authorities which could entail requests for interventions of an organisational nature the strengthening of the safeguards aimed at redressing shortcomings which may be

found. The extent of such shortcomings could also lead to sanctions proceedings against company executives and employees. It is to be noted in particular that CONSOB by way of resolution no. 18850 of 2 April 2014 concluded the sanctions proceedings due to failure to comply with provisions on offers to the public of offers of financial instruments and imposed administrative fines upon former General Manager, Antonio Vigni, and some managers of departments of the Issuer amounting to € 43,000. This order was not challenged by the Bank which paid the fines in its capacity as jointly liable party.

The sanctions proceedings launched by the Regulatory authority relating to the ordinary activities, some of which were also brought against several members of the current management, are reported in the paragraph "*Legal Risks*" set out in the section "*Banca Monte dei Paschi di Siena S.p.A.*" of this Prospectus).

As of the date of this Prospectus the Bank was indicted (in relation to liability of bodies pursuant to Legislative Decree No. 231/2001) within a set of proceedings brought by the Public Prosecutor at the Court of Forlì against various natural persons and three natural persons for the offences of money laundering and impeding the supervisory authority, the Bank was charged with three acts of administrative wrongdoing constituting an offence: (i) impeding the exercise of the functions of the public regulatory authority (art. 2638 of the Italian Civil Code); (ii) money laundering (art. 648-*bis* of the Italian Criminal Code); and (iii) criminal conspiracy (art. 416 of the Italian Criminal Code) of a transnational character (*see* paragraph "*Legal Risks*" set out in the section "*Banca Monte dei Paschi di Siena S.p.A.*" of this Prospectus). The Court of Forlì at the hearing of 12 February 2015 declared it did not have jurisdiction and held that jurisdiction lay, as far as the Bank is concerned, with the Court of Rimini. The Court, by way of the order of 3 March 2015, raised in relation to the matter a negative conflict of territorial jurisdiction and referred the case back to the Supreme Court for the decision regarding the identification of the court with jurisdiction to rule on the case with regard to the upholding of the precautionary and interim measures imposed on some defendants. The Supreme Court took the view that the confirmation of the precautionary and interim measures, subject to the evaluation of the files of the proceedings, must be referred back to the competent court of Forlì. As regards the remaining part of the proceedings, the Judge of the preliminary investigation of Rimini, given the need to state where the proceedings would continue, at the hearing of 28 April 2016, declined territorial jurisdiction to rule on the merits of the case in favour of the Court of Forlì, also ordering, in view of the previous view of the latter, the delivery of the files to the Supreme Court for the solution to the negative conflict on jurisdiction. We await the scheduling of the hearing at the Supreme Court for the solution to the dispute and therefore the identification of the court of competent jurisdiction for the trial.

In relation to pending litigations, at 30 June 2016 and in the context of "legal disputes" (including claw-back actions) funds were set aside to the fund for risks and charges in an amount of approximately Euro 601.4 million. Total components of the fund for risks and charges include, in addition to amounts set aside for "legal disputes", provisions for presumed losses on estimated payments connected to customer complaints. These funds are considered to be adequate for the purpose of covering potential liabilities that could arise out of proceedings pending at 30 June 2016.

The estimate of liabilities is based on information from time to time available. However, due to numerous uncertain factors that characterise the various legal proceedings, the estimate entails multiple and significant evaluation elements. In particular, at times it is not possible to produce a reliable estimate, such as in the event, for example, that proceedings have not yet

commenced, in case of potential counter-claims or in case of legal and factual uncertainties which render any estimate unreliable. Therefore, although Issuer believes that the total fund for risks and charges set aside in the balance sheet is suitable in relation to potential costs arising out of possible adverse effects of litigation, provisions may be insufficient to deal with all charges, costs, penalties and requests for compensation and restitution connected to pending claims or the Group may in the future be required to meet costs and compensation or restitution obligations that are not covered by provisions, with possible adverse effects on its business and on the economic, financial and/or equity situation of the Bank and/or the Group.

Finally, by means of two rulings dated 25 March 2015 and 3 April 2015, following two urgent interim claims submitted by a consumer association pursuant to article 140 (8) of legislative decree no. 206, 6 September 2005 (the Consumer Code), the Sixth Section of the Court of Milan prevented certain banks from implementing any additional form of interest compounding with reference to certain current account agreements in force with customers or to be stipulated with consumers in the future. Although Issuer has not received any of these rulings it is not possible to exclude the possibility that similar actions may be commenced against it or that the stance by the Court of Milan regarding the application of article 120 of the Consolidated Banking Act may result in the commencement of new proceedings.

Should the Issuer lose in any of these proceedings and/or in case of a possible increase in requests for compensation and/or restitution, this could have significant adverse effects on the business and economic, equity and/or financial situation of the Bank and/or the Group.

With regard to interest compounding, finally, recent reform of article 120 of the Consolidated Banking Act, as formerly amended by Law no. 147 of 27 December 2013 and subsequently by Law no. 49 of 8 April 2016, introduced material novelties regarding the calculation of interest and its capitalisation. Interpretational differences that have emerged regarding the effective date of the new article 120 (1 January 2014 according to certain interpreters whereas from the date established by the CICR (Interdepartmental Committee for Credit and Savings) implementation resolution – or 10 October 2016 – according to others) led the Bank, which believes the second hypothesis to be more consistent, to set aside provisions for any possible litigation.

Risks deriving from tax litigations

The Bank and the main Group companies are involved in a number of tax proceedings. As at the date of this Prospectus, approximately 60 disputes are pending, for an aggregate amount equal to approximately € 200 million on account of taxes and sanctions. Furthermore, investigations are being conducted in respect of which no claim or charge has yet been formalised.

The pending litigation to which a probable adverse outcome associated is limited in number and amount (less than €8 million) and is backed by adequate provisions for risks and charges.

In particular, please take note of the investigation of the Financial Authority, upon instruction of the Judicial Authority, concerning a real estate transaction carried out in 2011 by MPS Immobiliare and relating to the contribution of a real estate complex located in Rome to a closed–end real estate fund and in the subsequent assignment of the units of the same fund; in respect of said transaction, the Financial Authority published, on 16 September 2013, a report on offences contesting the tax regime MPS Immobiliare applied to the contribution at hand and the consequent alleged failed payment of VAT for approximately € 27 million and direct

taxes for approximately € 4 million (both amounts included in the abovementioned aggregate amount). The Italian tax police (the "**Tax Police**") has not yet served any assessment notice but has formally invited the company to provide clarification, holding that the transactions put in place constitute in their entirety an elusive scheme: the company, assisted by its consultants, submitted its observations. On 19 July 2016 the Tax Police, confirming the allegation brought by the Financial Authority, notified to the Bank, as a holding company of MPS Immobiliare, an invitation to appear for the commencement, in the first ten days of September 2016, of a discussion intended for a possible settlement proposal.

The Bank, in light of the opinion provided by its consultants, believes the risk of an unfavourable verdict relating to the VAT charge to be remote while that relating to direct taxes to be possible.

Furthermore, please note that, on 1 October 2015, the Financial Authority (Tax Police Office of Siena) commenced an assessment on the Bank, for the years from 2010 to date, for the purposes of other direct taxes, and in particular to investigate the correct compliance with the tax requirements in the matter of tax withholdings in the context of the capital strengthening transactions (i.e. "*Tier 1*") realised by issuing "preference shares". During this investigation, the report on offences published on 14 October 2015 contested, as regards the 2010 financial year, the omitted execution of tax withholdings, on interest expenses equal to approximately € 46 million, for an aggregate of approximately € 5.8 million.

The findings raised are based, in summary, on the requalification of financial instruments that resulted in payment of that interest expense by the Bank (and that do not provide for the application of withholding tax) as different financial instruments (in respect of which withholding taxes would be applied).

Subsequent to the aforementioned report on offences, on 22 December 2015 the Tax Police (Toscana Regional Tax Office) notified to the Bank notice of a tax assessment and notice of penalties whereby it respectively disputed failure to apply withholding tax in the amount of € 5.8 million approximately and financial penalties in the amount of € 8.6 million approximately. These notices were subject to settlement with payment of a total of 2.9 million Euro approximately for withholding taxes and interest (without any penalty).

On 29 July 2016, upon closure of the tax assessment mentioned above, the Tax Police notified the Bank with a report on findings (*processo verbale di constatazione)* whereby the same findings raised for the 2010 year were reiterated for 2011 and 2013, taking into account the defence theories previously raised upon settlement of the previous 2010 tax year. The claim formalised in the report on findings amounts to 9.6 million Euro approximately. With respect to those findings (relating to the years from 2011 to 2013 inclusive), the Board of Directors of the Bank has already authorised a settlement at the same conditions for the settlement procedure applied to the 2010 financial year described above.

With the same *processo verbale di constatazione*, omitted withholding taxes have been disputed for an aggregate amount equal to approximately €8.8 millions with reference to a distinct and separate self-financing operation with foreign counterparty. The Bank, assisted by its advisers, believes this claim ungrounded and is evaluating the appropriate actions to carry out for its defense.

On 27 April 2016 the Tax Police – Siena Unit – started an assessment vis-à-vis the subsidiary Consorzio Operativo Gruppo Montepaschi with respect to the direct taxes, the VAT and the

IRAP from 1 January 2011 to 27 April 2016. As at the date of this Prospectus the assessment is still pending.

Notwithstanding the evaluations effected by the Bank, the Group companies and the respective consultants, it is not possible to exclude that an unfavourable verdict in the pending proceedings and/or the commencement of new proceedings as a result of the aforementioned ongoing tax assessments, may imply increase tax risks for the Bank and/or the Group, with the consequent need to effect additional provisions or disbursements, with possible negative effects on the business and the capital, economic and/or financial conditions of the Bank and/or del Group.

For further information, please see the paragraph "*Legal Risks*" set out in the section "*Banca Monte dei Paschi di Siena S.p.A.*" of this Prospectus).

Risks associated with the reduction of the system liquidity support

The financial market crisis, which caused reduced liquidity available to operators, increased risk premium and, more recently, greater tensions linked to the sovereign debt of certain Countries and increased capital and liquidity requirements provided for by Basel III and, more recently, associated with the comprehensive assessment findings, made necessary complex initiatives in support of the credit system that directly involved both States (also through the direct intervention in the some banks' capital) and central banks (initially mainly through refinancing transactions upon provision of suitable collaterals and, at a later stage, also through repurchase interventions in the financial markets).

In this context, the authorities in charge intervened to guarantee adequate liquidity conditions to the banking system, so to overcome the most acute phases of the crisis that affected the Euro Area, in particular starting from mid-2011, both through the provision of guarantees on medium-term debt securities issuances, and the broadening of the category of eligible securities to serve as collateral for the ECB funding.

On the basis of Law Decree 6 December 2011, no. 201, in the first months of 2012, the Issuer issued € 13 billion of Italian State guaranteed liabilities with a three-year maturity (for € 9 billion) and with a five-year maturity (for € 4 billion). Said liabilities have initially been deposited on the pooling account in guarantee of the refinancing transactions with the Eurosystem and have subsequently been used as collateral for secured funding transactions, sold in the market and, in part, redeemed. In this respect, please note that during the course of 2014, the Issuer redeemed € 2.5 billion of the securities with the original three-year maturity and sold, for the purpose of benefiting from market opportunities, a portion of the five-year securities. Said sales activity continued in the first quarter of 2015, in the course of which the Issuer has also redeemed the residual portion of the three-year securities, due in the same period. By so doing, the limitations relating to the use of state guaranteed securities as collateral for refinancing transactions with the Eurosystem, entered into force as of 1 March 2015, did not impact on the Bank's liquidity condition.

On 6 September 2012, to contrast the increased spread between State securities yields, the ECB Steering Committee announced a State securities purchase programme without cap on its amount (i.e. the Outright Monetary Transaction). In the context of said programme, the ECB purchased securities in the secondary market with a one- to three-year maturity without setting *ex-ante* limits, save for the compliance with certain conditions.

Furthermore, in its June 2014 meeting, the ECB launched a purchase plan of ABSs and covered bonds with the purpose of increasing its financial statement assets by € 1,000 billion by the end of 2016. The purchase plan that provides for the joint intervention in the market of the ECB and national central bank, has then been extended also to other assets, among which (i) State securities, (ii) bond securities issued by local and regional governments (as announced in the last meeting of 2015) and (iii) investment grade bonds denominated in Euro which have been issued by non-bank EU entities (as announced in the meeting of 10 March 2016).

Finally, the ECB, in addition to the further cutting of reference rates, a few months before the expiry of the long-term refinancing operations launched three years before, launched the TLTROs, with the purpose of inducing banks to increase lending to the economy. Said auctions commenced between September and December 2014 and will continue for two years, for amounts linked to the lending granted by the banks to the private sector. On the meeting of 10 March 2016, the ECB also launched the TLTRO II. The relevant auctions will commence on June 2016 and end on March 2017 on a quarterly basis.

As at 30 June 2016, the Group refinancing with the ECB was comprised of (i) TLTRO auctions with a maturity of 26 September 2018, and (ii) TLTRO auctions with a maturity of 24 June 2020 for an exposure, net of accrued interests, equal to € 10.377 billion.

In any case, excluding the refinancing transactions already disclosed to the system, there is no certainty as regards the duration and intensity with which liquidity support transactions may be re-proposed in the future, depending on the performance of the economic cycle and market conditions. Furthermore, the liquidity demand support currently offered by the ECB may in the future be limited or blocked for the Bank by virtue of amendments to the rules governing the access thereto. The amount of the liquidity funding provided by the ECB is linked to the value of the collateral offered by the Bank, which is represented for a significant portion by Italian Government securities. Should the value of said assets drop, the liquidity funding available for the Bank would be correspondingly reduced, and it cannot be excluded that in the future, should the ECB review the rules relating to the types of eligible collateral or the rating requirements requested for the latter, the types of securities held by the Bank may no longer be eligible as collateral, with a consequential increased cost of funding for BMPS and limitation of the possibility for it to raise liquidity in the market. The inability to obtain liquidity in the market through the access to the Eurosystem or the significant reduction or ceasing of the system liquidity support by the governments and central authorities may cause greater difficulties in raising liquidity in the market and/or higher costs associated with the raising of said liquidity, with possible negative effects on the business and the economic, capital and/or financial condition of the Bank and/or the Group.

Risks associated the sovereign quantitative easing launched by the ECB

For the purpose of contrasting the negative effects of a prolonged deflationary trend in the Euro Area, the ECB announced on 22 January 2015 a monetary expansion programme (i.e. sovereign quantitative easing) based on an extended purchase plan of financial assets aiming at fulfilling the ECB mandate to safeguard price stability.

The new programme initially provided for, in addition to the pre-existing private sector asset purchase program, the possibility for the ECB to purchase every month € 60 billion of bond securities of European States, agencies and institutions up to a maximum value of € 1,140 billion to be allocated over a period of 19 months starting from 9 March 2015.

In March 2016, the ECB announced an increase in the quantitative easing programme of € 20 billion on the original monthly amount.

On 3 December 2015, the ECB announced the inclusion in the purchase programme of bond securities issued by local and regional governments, as well as the extension of the programme until March 2017, and in any case until the ECB Steering Committee ascertains a long-lasting adjustment of the inflation profile consistent with its goal to obtain lower inflation levels close to 2% in the medium-term. The purchase of securities in any case provides for a risk allocation criterion on the basis of which central banks of concerned Countries will guarantee a share equal to 80% of the total, while 20% will be subject to joint risk among national banks and the ECB.

On 10 March 2016, the ECB announecd to increase the purchase programme of bond securities to Euro 80 billion from April 2016, including also investment grade bond securities issued by non financial institution operating within Euro area.

Notwithstanding the expected positive impacts of the sovereign quantitative easing on the European macroeconomic environment, it is not possible to exclude that such a monetary expansion policy, by determining a rate reduction to minimum levels on all main maturities, may have a negative effect on the profitability of the Bank and/or the Group.

Risks associated with the uncertainty of the future outcomes of stress tests or asset quality review exercises

As from 4 November 2014, and accordance with the provisions of Regulation 468/2014, the ECB exercises supervisory responsibilities over banks of the various Member States whose currency is the euro (such as Italy), in cooperation with the national central banks where the credit institution in question has its registered, subsidiary or branch offices (the Single Supervisory Mechanism or SSM). The ECB is responsible for the effective and consistent functioning of the SSM and exercises oversight over the functioning of the system, based on the distribution of responsibilities between the ECB and national competent authorities ("**NCAs**"). To ensure efficient supervision, credit institutions are categorized as "significant" or "less significant": the ECB directly supervises significant banks, whereas the NCAs are in charge of supervising less significant banks, with the ECB exercising indirect supervision. The day-to-day supervision is conducted by Joint Supervisory Teams (JSTs), which comprise staff from both NCAs and the ECB.

Notably, Eurozone banks such as the Bank are subject to continuous evaluation of its capital adequacy in the context of the SSM and could be requested to operate with higher than minimum regulatory capital and/or liquidity ratios.

In the context of the SSM, the ECB has been entrusted with specific prudential supervisory duties providing for, *inter alia*, the possibility to carry out, in coordination with the EBA, stress tests to ascertain whether the devices, strategies, processes and mechanisms put in place by credit institutions and own funds held thereby allow for a sound management and coverage of risks when dealing with future but plausible negative events. Depending on the outcomes of stress tests, the ECB is also entrusted with the power to impose on credit institutions specific obligations in the matter of additional own funds, specific disclosure and liquidity requirements, as well as other measures.

The outcomes of said stress tests are by their nature uncertain and only partially predictable by the financial institution involved since the evaluation methodologies used by the ECB aim at adopting an homogeneous risk evaluation within the EU member states and, accordingly, may diverge – even to a significant extent – from the RWA evaluation methods adopted by the single credit institutions involved.

In this regard investors should consider that at 29 July 2016, the EBA Stress Test results were made public, which showed an extremely severe impact for the Bank in the so-called adverse scenario, emphasising CET1 in 2018 equal to -2.2%, whilst, in the baseline scenario, the CET1 is confirmed at 12%. In particular, these results are strongly impacted by the high NPL ratio for the Issuer.

Furthermore, the EBA, in cooperation with the competent supervisory authorities, may in future decide to recommend a new asset quality review on the most important European banks and, among those, also on the Issuer, with the target of verifying the classifications and valuations operated thereby on their loans for the purpose of dealing with the fears linked to the deterioration of asset quality. Said asset quality review may, furthermore, possibly be part of a new comprehensive assessment conducted by the ECB, similar to the one closed in October 2014.

Should the ECB, in cooperation with the EBA and the other competent supervisory authorities, carry out new comprehensive assessment exercises (or stress test or asset quality review exercises), it is not possible to ensure that the Issuer will meet the minimum parameters set in the context of said exercises and that, accordingly, in the event of failing thereof, it will not be the addressee of ECB measures that, *inter alia*, may impose the implementation of new capitalisation actions or other measures suitable to replenish the capital insufficiencies found in the Bank's supervisory capital, with possible negative effects on the business and the economic, capital and/or financial conditions of the same and/or the Group.

Risks associated with the evolution of the banking and financial sector regulation and additional provisions to which the Group is subject

The Group is subject to complex regulations and, in particular, to the supervision of the Bank of Italy, the CONSOB and, as regards a number of aspects of the bancassurance business, the IVASS. Starting from 4 November 2014, the Group is also subject to the supervision of the ECB, which is entrusted, pursuant to the regime establishing the SSM, with the duty to, *inter alia*, ensure the homogeneous application of the Euro Area legislative provisions.

In particular, the Group is subject to the primary and secondary legislation applicable to companies with financial instruments listed on regulated markets, the legislation in the matter of banking and financial services (governing, *inter alia*, the sales and placement activities of financial instruments and the marketing thereof), as well as the regulatory regime of the Countries, also other than Italy, in which it operates. The supervision by the aforementioned authorities covers various sectors of the Issuer's business and may concern, *inter alia*, liquidity, capital adequacy and financial leverage levels, the prevention and combating of money laundering, privacy protection, transparency and fairness in the relations with clients, reporting and recording obligations.

For the purpose of operating in accordance with said legislations, the Group has put in place specific internal procedures and policies and adopts, pursuant to Legislative Decree 231/2001,

a complex and constantly monitored organisational model. Said procedures and policies mitigate the possibility for violations of the various legislation to occur, which may have a negative impact on the business, reputation as well as capital, economic and/or financial condition of the Bank and/or the Group.

The prudential legislation of the banking sector applicable to the Group governs the Banks' business with the purpose of preserving the stability and soundness thereof, limiting risk exposure.

In particular, the Issuer and the banking companies of the Group are bound to comply with the capital adequacy requirements provided for by the applicable banking legislation and/or required by the supervisory authorities. Please see the paragraph "*Basel III and CRD IV*" below.

In general, international and domestic regulations applicable to the Group are principally intended to safeguard the stability and solidity of the banking system, through the adoption of extremely detailed rules intended to contain risk factors. To achieve those objectives, amongst other things those regulations provide for:

– minimum capital requirements, suitable for dealing with the size of the corporation and connected risks;

– quantitative and qualitative limits in capacity to develop certain types of financial aggregates, also in accordance with associated risks (e.g. credit, liquidity);

– stringent rules for the formulation of the system of controls and compliance; and

– rules on corporate governance.

The above should also be supplemented by more rigorous rules adopted by international authorities on the capitalisation of banks. In this regard, the Basel Committee on banking supervision has approved substantial strengthening of minimum capital requirements and amendments to regulations on liquidity for banks (Basel III). At a European level, Basel III was transposed into CRD IV and the CRR approved by the European Union on 20 June 2013 and effective from 1 January 2014 in Italy. In Italy, the new European bank regulations were implemented firstly by the Bank of Italy, to the extent responsible, by Circular No. 285 of 17 December 2013, and recently, on 8 May 2015, by the Council of Ministers which approved the legislative decree amending the Consolidated Banking Act and the Consolidated Finance Act. In particular, CRD IV contains, amongst other things, provisions on authorisation to engage in banking activities, freedom of establishment and free provision of services, cooperation between supervisory authorities, prudential control process, methodologies for the determination of capital buffers, rules on administrative penalties, rules on corporate governance and remunerations, whilst the CRR, the provisions of which are directly applicable within each Member State, defines, amongst other things, the rules on "Own Funds", minimum capital requirements, liquidity risk, financial leverage and disclosure to the public.

More in detail, with respect to increases to capital requirements, the Basel III agreements and the new European bank regulations provide for a transitional phase with minimum capitalisation levels progressively increasing. During that transitional phase specific regulatory deductions from capital aggregates will be gradually introduced.

In particular, in terms of capital requirements, the new rules provide that: (i) the *Common Equity Tier 1 Ratio* must at least be equal to 4.5% of the total amount of risk exposure for the Bank; (ii) the Tier 1 Ratio must at least be equal to 6% of the total amount of risk exposure for the Bank; and (iii) the Total Capital Ratio must at least be equal to 8% of the total amount of risk exposure for the Bank.

In addition to Common Equity Tier 1 necessary to satisfy the capital requirements mentioned above, commencing from 1 January 2014, the banks must establish a Capital Conservation Buffer equal to 2.5% of total exposure to risk.

Moreover, since 1 January 2016, banks could also be under an obligation to establish (i) a Countercyclical Capital Buffer, to be calculated, according to procedures indicated in the Bank of Italy's Circular No. 285 of 17 December 2013, as amended, on the basis of total credit risk exposure for each bank. The Bank of Italy has published, for the first quarter of 2016 (on 30 December 2015), for the second quarter of 2016 (25 March 2016) and for the third quarter of 2016 (24 June 2016) a decision whereby it established the ratio for the Countercyclical Capital Buffer as zero per cent, applicable to exposure to Italian counterparts; and (ii) in case of global systemically important institutions (G-SIIs) b) the so-called G-SII capital buffer and/or (ii) in case of other systemically important institutions – O-SIIs) the O-SII capital buffer.

In total, banks are under an obligation to hold a total amount of Common Equity Tier 1 necessary to satisfy the Combined Capital Buffer Requirement in addition to the capital requirements indicated above.

In respect of the calculation modalities of regulatory requirements, the first pillar prudential regime allows, for the weighting determination in the context of the credit risk standardised approach, the possibility to make use of the creditworthiness assessment issued by external credit assessment institutions ("**ECAI**"). BMPS makes use of the assessments of some ECAIs and, in particular, those of DBRS, Moody's and Fitch. Still, as regards credit risk, the prudential regime further allows the possibility to make use of assessments based on internal ratings for the determination of weightings on exposures falling within the validated perimeters that, for the Group, are comprised of the "exposures versus enterprises" and "retail exposures" portfolios for the Group companies, BMPS, MPS Capital Services S.p.A. and MPS Leasing & Factoring S.p.A.. As regards regulatory requirements relating to the trading activity, the Group make uses of the standardised calculation approach, while for the part relating to operational risks, the Group has been authorised by the supervisory authority to make use of some advanced AMA models.

With regard to liquidity, the Basel III agreements also provide for the introduction of a Liquidity Coverage Ratio or LCR, with the intent of establishing and maintaining a liquidity buffer that allows the bank to survive for a period of thirty days in case of grave stress, and a Net Stable Funding Ratio or NSFR for a period in excess of one year, introduced in order to ensure that assets and liabilities are structured with sustainable maturity dates. In relation to these indicators, investors should note that:

- for the LCR indicator a minimum of 60% is required commencing from 1 October 2015, with the minimum progressively increasing to 100% from 1 January 2018, according to the CRR;

– for the NSFR indicator, in this regard whilst the Basel Committee forecast a minimum threshold of 100% to be complied with commencing from January 2018, the European regulations (CRR) do not currently contemplate a regulatory limit for structural liquidity.

Moreover, the Basel III agreements provide that banks must monitor their Leverage Ratio, calculated as the ratio between Tier 1 capital and total exposure for the credit institution, according to the provisions of article 429 of the CRR, as amended and supplemented by Commission Delegated Regulation 62/2015. This ratio must be reported by the banks commencing from 2015, however to date no minimum threshold has been established and neither has the date of commencement of the ratio in question.

These developments in regulations, which are all intended to increase stability in the system, despite the fact that they are to be introduced gradually, could have a significant impact on the management dynamics of the Group.

In addition to the above, the provisions of directive 2014/49/EU (the "**Deposit Guarantee Schemes Directive**" or the "**DGSD**"), establishing the single deposit guarantee scheme, have been implemented in Italy through Legislative Decree n. 30 of 15 February 2016. The DGSD aims at establishing, in full legal continuity with the existing national systems, a harmonised network of deposit guarantee systems and provides for the establishment of a new funding mechanism, mainly based on *ex-ante* contributions (as happens for the Single Resolution Fund), as opposed to only *ex-post* contributions. Prior to the implementation of the DGSD, the deposit protection inter-banking fund (*Fondo Interbancario di Tutela dei Depositi* (the "**FITD**")) approved on 26 November 2015 a set of legislative amendments aiming at hastening the introduction of the new funding mechanism laid down by the DGSD and, as a consequence, the Bank paid in 2015 the relevant contributions.

Strengthening of capital requirements, provision for new rules on liquidity and an increase in ratios applicable to the Group under new Basel III regulations, as well as the laws and/or regulations that will be adopted in the future, could have an impact on business operations, the financial position, cash flow and operational results for the Group and therefore, directly or indirectly, on the possibility to distribute dividends to shareholders. With particular reference to capital regulations, the most significant impact for the Issuer is expected to be caused by (i) progressive non-inclusion in various capital tiers, following the reform, of capital instruments that can be calculated under previous regulations and (ii) the introduction of a regime for more severe deductions as compared to previous provisions.

In particular, with reference to treatment of deferred tax assets (DTA), one of the most expected significant potential effects for the entire Italian banking system, the relative impact is subject to differentiated treatment. Specifically, DTA included amongst those provided by Law no. 10 of 26 February 2011 (the "Decreto Mille Proroghe") essentially connected to doubtful debts, good will and other intangible assets, are excluded from the amount to be considered for the purposes of regulatory deductions and are included in Risk Weighted Assets with 100% risk weight commencing from 1 January 2014. The other DTA (net of deferred tax liabilities) are subject to deduction through an excess method applicable to Common Equity Tier 1 (which provides only for the deduction of the part exceeding a quota of Common Equity Tier 1 and for inclusion in Risk Weighted Assets with a 250% risk weight of any excess that is not deducted) and to phasing-in of deductions until 2018. In December 2013 the Bank of Italy officially defined the choice of the gradual option for phase-in treatment, and therefore also for DTA. Regulations provide that DTA arising after 1 January 2014 should be deducted at 20% from *Common Equity Tier 1* (and a subsequent increase of

20% for each subsequent year), whilst DTA existing at 1 January 2014 are subject to a more gradual phase-in (0% in 2014, 10% in 2015 and subsequent growth of 10% every subsequent year). For a more detailed description of the possible impact on capital adequacy for the Group of the revisions to regulatory treatment of DTA, including in particular a change to the possibility of admitting certain categories of DTA to each different type of differentiated treatment.

With reference to the progressive non calculation in various capital aggregates, following the reform, of capital instruments that can be calculated under previous regulations, there could be difficulties in replacing capital instruments, which are gradually excluded from calculation for the purposes of regulatory capital (grandfathering and regulatory amortisation), with new sources that comply with prudential regulations .

In consideration of the above, continued compliance with multiple regulations, and principally (in consideration of principles introduced by Basel III) the need to increase capital – at equal dimension – and to comply with liquidity parameters, require the commitment of significant resources, as well as the adoption of internal policies and rules that are similarly complex and could result in increased costs and/or reduced revenues for the Issuer and the Group.

As stated above, on 4 November 2014 the Single Supervisory Mechanism was launched and by means of this mechanism the ECB, in close collaboration with national Supervisory Authorities, has taken on the task of supervising all banks in the Euro area, directly in case of "significant" banks and indirectly for all other banks, which will still be supervised by national competent authorities according to criteria established by the ECB. Therefore, responsibility for prudential supervision of the Issuer is attributed to the ECB, since BMPS qualifies as a significant bank pursuant to article 39 of ECB EU Regulation no. 468/2014 dated 16 April 2014.

The Issuer is also subject to rules applicable to financial services – which also govern activities for the sale and placement of financial instruments and marketing services – and in that context is also subject to supervision by CONSOB.

Although the Group constantly employs significant resources and adequate internal policy for the purpose of complying with multiple legislative and regulatory provisions applicable, it should be noted that failure to comply with those regulations, or possible legislative/regulatory changes or changes to the interpretation and/or application of applicable rules by the competent authorities could result in material adverse effects for operational results and on the economic and financial situation of the Group. The above is also in consideration of the fact that, at the date of this Prospectus, some laws and regulations that concern sectors in which the Issuer operates have been recently approved and the relative application procedures are still pending definition.

In relation to regulations on the recovery and resolution of credit institutions and investment firms in crisis, on 23 May 2016 the European Commission adopted the Delegated Regulation defining technical regulatory rules intended to specify criteria for the determination of the *Minimum Requirement for own funds and Eligible Liabilities* ("**MREL**"), for credit institutions and investment firms in terms of minimum capacity to absorb losses, which entered into force on 23 September 2016.

Moreover, on 19 July 2016 the EBA launched a public consultation on its interim report on MREL, which represents a preliminary version of the report that the EBA will present to the European Commission by 31 October 2016, concerning a series of material aspects for the

implementation of the MREL, including in particular, proposals for the harmonisation of the calculation of requisites in various Member States, the need for MREL to be satisfied by means of recourse to contractual bail-in instruments, the identification of a minimum requirement level relating to the business model identified for credit institutions and the need to use, as a denominator for the MREL requirement, risk weighted assets for the credit institution.

In consideration of the fact that the reference regulatory context is currently under development, it is not possible to exclude the possibility that the introduction of these criteria will involve an obligation for the Bank to set aside additional resources and funds and admissible liabilities with a consequent impact on the financial position, cash flow and operational results for the Group and therefore, directly or indirectly, on the possibility to distribute dividends to shareholders.

To complete the outline, on 9 November 2015 the Financial Stability Board (FSB) published final provisions on *Total Loss Absorbency Capacity* (TLAC) concerning "*Global Sistematically Important Banks* (G-SIBs)" – which, at the date of this Prospectus, does not include the Issuer – and, therefore, it is not possible to exclude the possibility that the joint effect of the two regulations under development (MREL and TLAC) may result in an alignment of criteria for the determination of the *Minimum Requirement for own funds and Eligible Liabilities* provided for all European financial institutions to those more restrictive requirements that will be applicable to G-SIBs.

Moreover, on 10 December 2015, the Basel Committee for the supervision of banks submitted a consultative document on the revision of the standardised approach to the calculation of Risk Weighted Assets (RWA) for the "credit risk" category. This is a second consultative document, after the one published in December 2014, intended to achieve better calibration of the "new" standard methodology for evaluating credit risk. On 6 April 2016, the Committee published a consultation document containing a package of amendments to be made to the structure of approaches based on internal ratings for the calculation of credit risk, in order to reduce the complexity of the regulatory framework, increase comparability of capital requirements in respect of credit risk and limit excessive variabilities. In addition, mention should be made of processes for the revision of the standardised approach for "market risk" and for "operational risk". Finally, the project for the replacement of the transitional capital floor for Risk Weighted Assets (RWA) established as a result of previously applied provisions under Basel 1 with a new minimum level or floor, calculated according to Risk Weighted Assets (RWA) established on the basis of the standardised approach, as possibly amended following the cited processes for the revision of various risk categories, is also of relevance. A possible variation in criteria for the calculation of Risk Weighted Assets (RWA) following the aforementioned processes could have an impact on capital adequacy for the Group. Moreover, irrespective of consultations and revision processes in progress, it is not possible to exclude the possibility that the regulatory authorities may, at any other time, review internal models for the calculation of the RWA used by the Group and require the application of more stringent criteria, thereby resulting in a potential increase in Risk Weighted Assets with an adverse impact on the business and economic and financial situation of the Bank and/or the Group.

Finally, the Supervisory Authorities have the power to commence administrative and judicial proceedings against the Group, which could, amongst other things, translate into the suspension or withdrawal of authorisations, in official warnings, fines, civil or criminal

penalties or other disciplinary measures, with possible adverse effects on business and on the economic and financial situation of the Bank and/or the Group.

Although the Issuer is committed to compliance with the complex system of rules and regulations, any failure to comply or possible regulatory changes and/or changes to the interpretation and/or application of those regulations by the competent Supervisory Authorities, could involve possible material adverse effects on operational results and on the economic and financial situation of the Issuer.

Although the Issuer endeavours to comply with the complex set of rules and regulations, its failed compliance, or possible amendments to legislations and/or interpretation approaches and/or applications thereof by the competent supervisory authorities may cause possible relevant negative effects on the operational results and the economic, capital and financial conditions of the Issuer.

Please finally note that Law no. 149 of 8 April 2016 introduced in Italy, *inter alia*, a state guarantee (the "**GACS**") scheme designed to assist Italian banks and financial intermediaries in securitising and removing non-performing loans from their balance sheets. The GACS only applies to senior tranches of asset-backed securities. As consideration, the MEF will receive an annual fee reflecting market practice for similar guarantees in order to ensure the aid-free nature of the GACS. In order to achieve the GACS' purposes, it has been established as a specific fund within the MEF. Note should also be taken of the recent constitution of the Atlante fund, an Italian alternative investment fund which has within its investment targets, *inter alia*, the subscription of junior tranches issued within the context of securitisations of non-performing loans, which may further help to work out non-performing exposures.

Risks associated with competition in the banking and financial sector

The Bank and the Group companies operate in the context of a highly competitive market and are accordingly exposed to risks deriving from the competition typical of the banking market in the Italian sphere. In this respect, please note that the banking sector in Italy is highly competitive, due to the following factors: (i) the implementation of EU directives aimed at liberalising the EU banking sector; (ii) the deregulation of the banking sector everywhere in the European Union, and in particular in Italy, which incentivised competition in the traditional banking area with the effect of progressively reducing the margin between lending and deposit rates; (iii) the focus of the Italian banking sector on commission income, which leads to a higher competition in the asset management field and corporate banking and investment banking activities; (iv) the amendment to tax and banking regimes; and (v) the evolution of services characterised by a strong technological innovation component, such as internet banking, phone banking and mobile banking.

Furthermore, such competitive pressure may increase in light of regulatory actions, the behaviour of competitors, consumers' demand, technological changes, possible aggregation processes involving financial operators, the entry of new competitors and the contribution of other factors not necessarily under the Group's control. In any case, the worsening of the macroeconomic scenario may entail further increased competitive pressure due to, without limitation, increased pressure on prices and lower business volumes.

In particular, please note that Law 24 March 2015, no. 33, which converted Law Decree 24 January 2015, no. 3, provided, *inter alia*, for the prohibition for large cooperative banks (*banche popolari*) to have assets exceeding € 8 billion and the consequent obligation for them,

upon the first application of the aforementioned decree, to transform into joint stock companies within eighteen months of the entry into force of the implementing provisions of the Bank of Italy under penalty of sanctions. On 9 April 2015, the Bank of Italy commenced the public consultation on the said implementation of provisions which ended on 9 May 2015 (original deadline 24 April 2015), with subsequent adoption on 9 June 2015 by the Bank of Italy, of the related new regime implementing provisions. After the issuance of the implementing provisions by the Bank of Italy, it is not possible to exclude the occurrence of changes in the competitive scenario of the Italian banking sector, also as a result of possible aggregations among client's (or ex-client's) banks or among said banks and other credit institutions, with consequential strengthening of the competitive position of the institution resulting from said aggregations. The occurrence of said circumstances would further increase the competitive pressure in the market, already highly competitive, in which the Group operates.

Should the Group not be able to cope with the increasing competitive pressure through, *inter alia*, the offer of innovative and profitable products and services and to satisfy clients' needs, it could lose market shares in various business sectors.

As a result of such competition, the Group may also not be able, in the absence of appropriate remedial actions, to maintain or increase business volumes and relaunch profitability and fail in achieving the strategic targets provided under the Restructuring Plan, with possible negative effects on the business and the economic, capital and/or financial condition of the Bank and/or the Group.

Risk associated with the conduct of the Supervisory Review and Evaluation Process (SREP)

The SREP is conducted, based on the current regime, at least annually by the ECB (without prejudice in any case to the supervisory powers and prerogatives the latter is entrusted with that can be exercised on an ongoing basis during the course of the year).

As the date of this Prospectus, the prudential review and evaluation process by the ECB has been concluded for the 2015 financial year and the 2015 SREP Decision was made known to the Issuer on 25 November 2015 pursuant to Regulation (EU) no 1024/2013 of 15 October 2013.

The 2015 SREP Decision, contained, *inter alia*, an indication by the ECB to the Issuer to maintain the minimum capital requirement in terms of Common Equity Tier 1 Ratio on a consolidated basis at 10.75% starting from 31 December 2016 (and from 1 January 2016 to 31 December 2016, not lower than 10.2%).

Furthermore, the 2015 SREP Decision contains confirmation by the ECB in respect of the existence of the prerequisites for exercise by the ECB of the supervisory powers indicated under art. 16, paragraph 2, of Regulation (EU) no. 1024/2013 of 15 October 2013, aimed at maintaining capital adequacy standards higher than those provided for by the prudential regime and strengthening the Issuer's devices, processes, mechanisms and strategies.

In this context, some prudential provisions pursuant to art. 16, paragraph 2, of Regulation (EU) no. 1024/2013 of 15 October 2013 on requirements in the matter of own funds, disposal of excessively risky assets for the Issuer's soundness, limitations on the payment of dividends

to shareholders and on distributions by the Issuer on certain instruments issued by it and supplementary reporting obligations have been, *inter alia*, renewed.

Therefore, in addition to the aforementioned minimum capital requirements applicable to the CET 1 Ratio, the ECB imposed on the Issuer: (i) restrictions on the payment of dividends and distributions of shares and other financial instruments issued by it; (ii) the active carrying on of the initiatives aimed at dealing with NPE, together with restructuring initiatives, including aggregation transactions; (iii) the strengthening of the strategies and processes to valuate, maintain and distribute internal capital, with specific reference to certain SREP findings; (iv) the adoption of initiatives aimed at effectively monitoring, and guaranteeing on an on-going basis, the capital adequacy of the subsidiaries MPS Capital Services S.p.A. and MPS Leasing & Factoring S.p.A., as well as the implementation of remedial actions to comply with the regulatory limits provided for in the matter of large exposures; and (v) the adoption of a documented strategy on liquidity risk and funding by 28 February 2016.

In particular, as regards the requests expressed by the ECB, the Group is carrying on – among other actions – with the realisation of the multi-annual disposal structured programme for an aggregate of approximately € 5.5 billion of non-performing loans, of which approximately € 2 billion already completed in 2015. The disposal transaction of the € 1 billion portfolio completed in past December 2015 adds on to the disposal of € 1 billion already completed in June 2015 in line with the improvement strategy of non-performing loans recovery rates and remedy of likely defaults, which will allow a greater management focus on exposures which are less dated and of a more relevant amount.

As regards certain specific SREP findings in respect of the strategies and processes concerning the internal capital, the Issuer agreed a work schedule with the supervisory authority for the purpose of implementing all identified measures. Said plan is monitored periodically by the ECB.

Furthermore, in respect of MPS Capital Services S.p.A., the envisaged capital increase guaranteeing the restoration of its capital adequacy has been completed in February 2016 and the remedial measures have been executed, such as to restore the large exposures within the regulatory limits. With reference to MPS Leasing & Factoring S.p.A., the € 500 million capital increase which was completed in December 2015 restored the subsidiary's capital ratios levels to values greatly exceeding the regulatory minimums.

As concerns the liquidity book, as highlighted in the periodic accounting statements, the Bank already recorded a relevant improvement and is committed to continue in this direction, in the context of which it will provide the ECB with the information requested. As also declared by the Issuer on 5 February 2016, the liquidity is greatly positive and adequate to absorb the effects caused to the raising of deposits by the volatility conditions of the first months of 2016.

In accordance with the SREP process, the ECB Regulator requested the Issuer to follow up on the 2015 SREP Decision with a "Capital Plan" where the methods for achieving the new CET1 ratio target (i.e. 10.75% starting from 31 December 2016) were to be set out. The 2015 Capital Plan, submitted to the supervisory authority at the end of December 2015, does not provide for extraordinary measures to achieve such target, since the Bank's capital adequacy is confirmed by the updated forecasts for the 2016-2018 period.

Considering the annual frequency with which the SREP is carried out, should the SREP in the future, have an outcome such as to make it impossible to deal with required remedial actions in the context of normal operations, the Group may find itself obliged to activate the measures provided for by its recovery plan prepared pursuant to the BRRD and, in the event that such measures are not sufficient and the Bank is failing or likely to fail, the Bank may become subject to the resolution measures and/or tools provided for in the BRRD as identified by the Single Resolution Board at the relevant time.

As mentioned above, commencing from 4 November 2014, the ECB took on specific tasks relating to prudential supervision, under the Single Supervisory Mechanism (SSM), in cooperation with national Supervisory Authorities in participating countries, among which the realisation of the SREP. The ECB has already conducted an SREP on the Issuer during 2014 and 2015. However, it is necessary to consider that the *Supervisory Review and Evaluation Process* is conducted on the basis of current applicable regulations, at least annually by the ECB (without prejudice to the supervisory powers and prerogatives held by the ECB and exercisable on a continual basis during the year).

Moreover, investors must also consider that the EBA Stress Test, the results of which were communicated on 29 July 2016, demonstrated significant capital insufficiencies for the Bank in the adverse scenario, despite not providing for a success and/or failure threshold and this represents significant information in the context of the SREP 2016 by the ECB. The results will therefore be used by the competent authorities to evaluate the capacity of the Bank to comply with regulatory restrictions in stressed scenarios on the basis of common methodologies and assumptions.

At the date of this Prospectus the Issuer is not able to forecast when the SREP 2016 will conclude and, consequently, when the relative results will be notified by the ECB. Moreover, it is not possible to exclude the possibility that following the SREP 2016, the ECB will require the Issuer to adopt specific measures, such as additional capital requirements, which may involve the need for the Bank to make recourse to capital strengthening interventions.

Moreover, it is not possible to exclude the possibility that the ECB, in cooperation with the EBA and other competent Supervisory Authorities, will decide to recommend new stress tests, or an Asset Quality Review. In such event, there can be no guarantee that the Issuer will satisfy any minimum parameters established in the context of those tests and therefore, in case of failure to pass the tests, the Issuer may receive measures from the ECB requiring, amongst other things, the implementation of new capitalisation measures or other measures suitable for bridging the deficit in capital revealed, with possible adverse effects on business and on the economic, equity and financial situation of the Issuer and/or the Group.

Changes in the Italian and European regulatory framework and accounting policies could adversely affect the Issuer's business

BMPS is subject to extensive regulation and supervision by the Bank of Italy, CONSOB, the European Central Bank and the European System of Central Banks. The banking laws to which BMPS is subject govern the activities in which banks may engage and are designed to maintain the safety and soundness of banks, and limit their exposure to risk. In addition, BMPS is also subject to the regulation applicable to financial services that governs its marketing and selling practices. The regulatory framework governing international financial markets is currently being amended in response to the global financial crisis, and new

legislation and regulations are being introduced in Italy and the European Union that will affect BMPS and could significantly alter the Issuer's capital requirements.

The rules applicable to banks and other entities in banking groups are mainly provided by implementation of measures consistent with the regulatory framework set out by the Basel Committee on Banking Supervision ("**BCBS**") and aim at preserving their stability and solidity and limiting their risk exposure. It is worth mentioning in this regard the setting of minimum ratios by the Basel Committee that, despite the recent delay in entry into force, are pushing banks towards action designed to maintain and increase a more stable base of funding, of which the core- retail is an essential component.

The Group is also subject to regulations applicable to financial services that govern, among other things, the sale, placement and marketing of financial instruments as well as to those applicable to its bank-assurance activities. In particular, the Group is subject to the supervision of CONSOB and the Institute for the Supervision of Private Insurance. The Issuer is also subject to the rules applicable to it as an issuer of shares listed on the Milan Stock Exchange.

In accordance with the regulatory frameworks defined by the supervisory authorities mentioned above and consistent with the regulatory framework being implemented at the European Union, the Group has in place specific procedures and internal policies to monitor, among other things, liquidity levels and capital adequacy, the prevention and combatting of money laundering, privacy protection, ensuring transparency and fairness in customer relations and registration and reporting obligations. Despite the existence of these procedures and policies, there can be no assurance that violations of regulations will not occur, which could adversely affect the Group's results of operations, business and financial condition. In addition, as at the date of this Prospectus, certain laws and regulations have only been recently approved and the relevant implementation procedures are still in the process of being developed.

Basel III and CRD IV

In the wake of the global financial crisis that began in 2008, the BCBS approved, in the fourth quarter of 2010, revised global regulatory standards ("**Basel III**") on bank capital adequacy and liquidity, which impose requirements for, *inter alia*, higher and better-quality capital, better risk coverage, measures to promote the build-up of capital that can be drawn down in periods of stress and the introduction of a leverage ratio as a backstop to the risk-based requirement as well as two global liquidity standards. The Basel III framework adopts a gradual approach, with the requirements to be implemented over time, with full enforcement in 2019.

In January 2013 the BCBS revised its original proposal in respect of the liquidity requirements in light of concerns raised by the banking industry, providing for a gradual phasing-in of the Liquidity Coverage Ratio with a full implementation in 2019 as well as expanding the definition of high quality liquid assets to include lower quality corporate securities, equities and residential mortgage backed securities. Regarding the other liquidity requirement, the Net Stable Funding Ratio, the BCBS published the final rules in October 2014 which will take effect from 1 January 2018.

The Basel III framework has been implemented in the EU through new banking requirements: Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on

access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (the "**CRD IV Directive**") and Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms (the "**CRD IV Regulation**" and together with the CRD IV Directive, the "**CRD IV Package**"). Full implementation began on 1 January 2014, with particular elements being phased in over a period of time (the requirements will be largely fully effective by 2019 and some minor transitional provisions provide for phase-in until 2024) but it is possible that in practice implementation under national laws may be delayed. Additionally, it is possible that EU Member States may introduce certain provisions at an earlier date than that set out in the CRD IV Package. National options and discretions that were so far exercised by national competent authorities will be exercised by the SSM (as defined below) in a largely harmonised manner throughout the Banking Union. In this respect, on 14 March 2016 the European Central Bank adopted Regulation (EU) 2016/445 on the exercise of options and discretions. Depending on the manner in which these options/discretions were so far exercised by the national competent authorities and on the manner in which the SSM will exercise them in the future, additional/lower capital requirements may result. In Italy, the Government approved Legislative Decree of 12 May 2015 n. 72 implementing the CRD IV Directive. Such legislative decree entered into force on 27 June 2015. The new regulation impacts, *inter alia*, on:

- proposed acquirers of holdings in credit institutions, requirements for shareholders and Members of the management body (Articles 23 and 91 of the CRD IV Directive);

- competent authorities' powers to intervene in cases of crisis management (Articles 64, 65, 102 and 104 of the CRD IV Directive);

- reporting of potential or actual breaches of national provisions (so called whistleblowing, Article 71 of the CRD IV Directive); and

- administrative penalties and measures (Article 65 of the CRD IV Directive).

The Bank of Italy published new supervisory regulations on banks in December 2013 (Circular of the Bank of Italy No. 285 of 17 December 2013 as amended from time to time (the "**Circular No. 285**")) which came into force on 1 January 2014, implementing the CRD IV Package, and setting out additional local prudential rules. As from 1 January 2014 to 31 December 2014, Italian banks were required to comply with a minimum CET1 Capital Ratio of 4.5 per cent., Tier I Capital Ratio of 5.5 per cent., and Total Capital Ratio of 8 per cent. Upon the expiry of this transitional period, Italian banks must at all times satisfy the following own funds requirements: (i) a CET1 Capital Ratio of 4.5 per cent.; (ii) a Tier 1 Capital Ratio of 6 per cent.; and (iii) a Total Capital Ratio of 8 per cent. These minimum ratios are complemented by the following capital buffers to be met with CET1 Capital:

- Capital conservation buffer: set at 2.5 per cent. of risk weighted assets and has applied to the Issuer since 1 January 2014 pursuant to Article 129 of the CDR IV Directive and Part I, Title II, Chapter I, Section II of Circular No. 285;

- Counter-cyclical capital buffer: set by the relevant competent authority between 0 per cent. - 2.5 per cent. (but may be set higher than 2.5 per cent. where the competent authority considers that the conditions in the Member State justify this), with gradual introduction from 1 January 2016 and applying temporarily in the periods when the relevant national

authorities judge the credit growth to be excessive (pursuant to Article 130 of the CRD IV Directive and Part I, Title II, Chapter I, Section III of Circular No. 285, as amended);

- Capital buffers for globally systemically important banks (G-SIBs): set as an "additional loss absorbency" buffer ranging from 1.0 per cent. to 3.5 per cent. determined according to specific indicators (size, interconnectedness, substitutability of the services provided, global cross-border activity and complexity), to be phased in from 1 January 2016 (Article 131 of the CRD IV Directive and Part I, Title II, Chapter I, Section IV of Circular No. 285, as amended) and becoming fully effective on 1 January 2019; and

- Capital buffers for other systemically important institutions (O-SIIs: up to 2.0 per cent. as set by the relevant competent authority and must be reviewed at least annually from 1 January 2016), to compensate for the higher risk that such banks represent to the domestic financial system (Article 131 of the CRD IV Directive and Part I, Title II, Chapter I, Section IV of Circular No. 285, as amended).

The Issuer is not currently included in the list of global systematically important banks first published on 4 November 2011 and as most recently updated on 3 November 2015 by the Financial Stability Board. The Bank of Italy, as competent authority, has not yet published a list of systemically important banks at a domestic level.

In addition to the above listed capital buffers, under Article 133 of the CRD IV Directive each Member State may introduce a Systemic Risk Buffer of Common Equity Tier 1 Capital for the financial sector or one or more subsets of that sector in order to prevent and mitigate long term non-cyclical systemic or micro prudential risks not covered by the CRD IV Regulation, in the sense of a risk of disruption in the financial system with the potential of having serious negative consequences on the financial system and the real economy in a specific Member State. At this stage no provision is included on the systemic risk buffer under Article 133 of the CRD IV Directive as the Italian level‑1 rules for the CRD IV Directive implementation on this point have not yet been enacted.

Failure to comply with such combined buffer requirements triggers restrictions on distributions and the need for the bank to adopt a capital conservation plan on necessary remedial actions (Articles 140 and 141 of the CRD IV Directive).

As part of the CRD IV Package transitional arrangements, regulatory capital recognition of outstanding instruments which qualified as Tier I and Tier II capital instruments under the framework which the CRD IV Package has replaced (i.e. CRD III) that no longer meet the minimum criteria under the CRD IV Package will be gradually phased out. Fixing the base at the nominal amount of such instruments outstanding on 1 January 2013, their recognition is capped at 80 per cent. in 2014, with this cap decreasing by 10 per cent. in each subsequent year. The new liquidity requirements introduced under the CRD IV Package are the Liquidity Coverage Ratio and the Net Stable Funding Ratio (the "**NSFR**"). The Liquidity Coverage Ratio Delegated Regulation 2015/62 was adopted in October 2014 and published in the Official Journal of the European Union in January 2015. It was applicable from 1 October 2015, although under a phase-in approach and it will become fully applicable from 1 January 2018. On 17 December 2015, the European Banking Authority (the "**EBA**") published its report recommending the introduction of the NSFR in the EU to ensure stable funding structures and outlining its impact assessment and proposed calibration. This report from the EBA will be taken into account by the European Commission in proposing a legislative

proposal by the end of 2016, with the aim to comply with a 100% target NSFR implementation in 2018, as per the Basel rules.

The CRD IV Package contains specific mandates for the EBA to develop draft regulatory or implementing technical standards as well as guidelines and reports related to liquidity coverage ratio and leverage ratio in order to enhance regulatory harmonisation in Europe through the Single Rule Book.

Should the Issuer not be able to implement the approach to capital requirements it considers optimal in order to meet the capital requirements imposed by the CRD IV Package, it may be required to maintain levels of capital which could potentially impact its credit ratings, funding conditions and limit the Issuer's growth opportunities.

In addition, the Issuer notes that it is subject to the Pillar 2 requirements for banks imposed under the CRD IV Package, which will be impacted, on an on-going basis, by the SREP. The SREP is aimed at ensuring that institutions have in place adequate arrangements, strategies, processes and mechanisms to maintain the amounts, types and distribution of internal capital commensurate to their risk profile, as well as robust governance and internal control arrangements. The key purpose of the SREP is to ensure that institutions have adequate arrangements as well as capital and liquidity to ensure sound management and coverage of the risks to which they are or might be exposed, including those revealed by stress testing, as well as risks the institution may pose to the financial system.

After having reached an agreement with the Council, in April 2014, the European Parliament adopted the Regulation establishing a Single Resolution Mechanism (the "**SRM**"). The SRM became fully operational on 1 January 2016. Certain provisions, including those concerning the preparation of resolution plans and provisions relating to the cooperation of the Single Resolution Board (the "**Board**") with national resolution authorities, entered into force on 1 January 2015.

The SRM, which will complement the ECB Single Supervisory Mechanism, applies to all banks supervised by the ECB Single Supervisory Mechanism. It mainly consists of the Board and the Single Resolution Fund (the "**Fund**").

Decision-making is centralised with the Board, and involves the Commission and the Council (which have the possibility to object to the Board's decisions) as well as the ECB and national resolution authorities.

The Fund, which will back resolution decisions mainly taken by the SRB, will be divided into national compartments during an eight year transition period. Banks were required to start paying contributions in 2015 to national Resolution Funds that will mutualise gradually into the Single Resolution Fund starting from 2016 (and on top of the contributions to the national Deposit Guarantee Schemes).

The establishment of the SRM is designed to ensure that supervision and resolution is exercised at the same level for countries that share the supervision of banks within the ECB Single Supervisory Mechanism.

The participating banks are required to finance the Fund. The Issuer is therefore required to pay contributions to the SRM in addition to contributions to the national Deposit Guarantee

Scheme. The manner in which the SRM will operate is still evolving, so there remains some uncertainty as to how the SRM will affect the Group once implemented and fully operational.

The Bank Recovery and Resolution Directive is intended to enable a range of actions to be taken in relation to credit institutions and investment firms considered to be at risk of failing. The taking of any such actions (or the perception that the taking of any such action may occur) could materially adversely affect the value of any Covered Bonds and/or the rights of Bondholders

On 2 July 2014 the directive providing for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and investment firms (Directive 2014/59/EU) (the "**Bank Recovery and Resolution Directive**" or "**BRRD**") entered into force and Member States were expected to implement the majority of its provisions.

The BRRD provides competent authorities with comprehensive arrangements to deal with failing banks at national level, as well as cooperation arrangements to tackle cross-border banking failures.

The BRRD sets out the rules for the resolution of banks and large investment firms in all EU Member States. Banks are required to prepare recovery plans to overcome financial distress. Authorities are also granted a set of powers to intervene in the operations of banks to avoid them failing. If banks do face failure, authorities are equipped with comprehensive powers and tools to restructure them, allocating losses to shareholders and creditors following a specified hierarchy. Resolution authorities have the powers to implement plans to resolve failing banks in a way that preserves their most critical functions and avoids taxpayer bail outs.

The BRRD contains four resolution tools and powers which may be used alone or in combination where the relevant resolution authority considers that (a) an institution is failing or likely to fail, (b) there is no reasonable prospect that any alternative private sector measures would prevent the failure of such institution within a reasonable timeframe, and (c) a resolution action is in the public interest: (i) sale of business - which enables resolution authorities to direct the sale of the institution or the whole or part of its business on commercial terms; (ii) bridge institution - which enables resolution authorities to transfer all or part of the business of the firm to a "bridge institution" (an entity created for this purpose that is wholly or partially in public control); (iii) asset separation - which enables resolution authorities to transfer impaired or problem assets to one or more publicly owned asset management vehicles to allow them to be managed with a view to maximising their value through eventual sale or orderly wind-down (this can be used together with another resolution tool only); and (iv) bail-in - which gives resolution authorities the power to write down certain claims of unsecured creditors of a failing institution and to convert certain unsecured debt claims into shares or other instruments of ownership (i.e. other instruments that confer ownership, instruments that are convertible into or give the right to acquire shares or other instruments of ownership, and instruments representing interests in shares or other instruments of ownership) (the "**general bail-in tool**"). Such shares or other instruments of ownership could also be subject to any future application of the BRRD. For more details on the implementation in Italy please refer to the paragraphs below.

A SRF (as defined below) was set up under the control of the SRB. It will ensure the availability of funding support while the bank is resolved. It is funded by contributions from

the banking sector. The SRF can only contribute to resolution if at least 8 per cent. of the total liabilities of the bank have been bailed-in.

The BRRD requires all Member States to create a national, prefunded resolution fund, reaching a level of at least 1 per cent. of covered deposits within 10 years. The national resolution fund for Italy was created in November 2015 and required both ordinary and extraordinary contributions to be made by Italian banks and investment firms, including the Issuer. In the European banking union, the national resolution funds set up under the BRRD were replaced by the Single Resolution Fund (the "**Single Resolution Fund**" or "**SRF**") as of 1 January 2016 and those funds will be pooled together gradually. Therefore, as of 2016, the Single Resolution Board, will calculate, in line with a Council implementing act, the annual contributions of all institutions authorised in the Member States participating in the SSM and the SRM (as defined below). The SRF is financed by the European banking sector. The total target size of the fund will equal at least 1 per cent. of the covered deposits of all banks in Member States participating in the European banking union. The SRF is to be built up over eight years, beginning in 2016, to the target level of €55 billion (the basis being 1 per cent. of the covered deposits in the financial institutions of the European banking union). Once this target level is reached, in principle, the banks will have to contribute only if the resources of the SRF are used up in order to deal with resolutions of other institutions.

Under the BRRD, the target level of the national resolution funds is set at national level and calculated on the basis of deposits covered by deposit guarantee schemes. Under the SRM, the target level of the SRF is European and is the sum of the covered deposits of all institutions established in the participating Member States. This results in significant variations in the contributions by the banks under the SRM as compared to the BRRD. As a consequence of this difference, when contributions will be paid based on a joint target level as of 2016, contributions of banks established in Member States with a lot of covered deposits will sometimes abruptly decrease, while contributions of those banks established in Member States with fewer covered deposits will sometimes abruptly increase. In order to prevent such abrupt changes, the draft proposal of the European Commission for a Council Implementing Act provides for an adjustment mechanism to remedy these distortions during the transitional period by way of a gradual phasing in of the SRM methodology.

The BRRD also provides for a Member State as a last resort, after having assessed and exploited the above resolution tools (including the general bail-in tool) to the maximum extent practicable whilst maintaining financial stability, to be able to provide extraordinary public financial support through additional financial stabilisation tools. These consist of the public equity support and temporary public ownership tools. Any such extraordinary financial support must be provided in accordance with the burden sharing requirements of the EU state aid framework and the BRRD.

In addition to the general bail-in tool, the BRRD provides for resolution authorities to have the further power to write-down permanently/convert into equity capital instruments at the point of non-viability and before any other resolution action is taken with losses taken in accordance with the priority of claims under normal insolvency proceedings ("**Non-Viability Loss Absorption**"). Any shares issued upon any such conversion into equity capital instruments may also be subject to any application of the general bail-in tool.

For the purposes of the application of any Non-Viability Loss Absorption measure, the point of non-viability under the BRRD is the point at which the relevant authority determines that the institution meets the conditions for resolution (but no resolution action has yet been taken)

or that the institution or, in certain circumstances, its group, will no longer be viable unless the relevant capital instruments are written-down/converted or extraordinary public support is to be provided and without such support the appropriate authority determines that the institution and/or, as appropriate, its group, would no longer be viable.

In the context of these resolution tools, the resolution authorities have the power to amend or alter the maturity of certain debt instruments issued by an institution under resolution or amend the amount of interest payable under such instruments, or the date on which the interest becomes payable, including by suspending payment for a temporary period.

The BRRD has been implemented in Italy through the adoption of two Legislative Decrees by the Italian Government, namely, Legislative Decrees No. 180/2015 and 181/2015 (together, the "**BRRD Decrees**"), both of which were published in the Italian Official Gazette (*Gazzetta Ufficiale*) on 16 November 2015. Legislative Decree No. 180/2015 is a stand-alone law which implements the provisions of BRRD relating to resolution actions, while Legislative Decree No. 181/2015 amends the existing Italian Consolidated Banking Law and deals principally with recovery plans, early intervention and changes to the creditor hierarchy. The BRRD Decrees entered into force on the date of publication on the Italian Official Gazette (i.e. 16 November 2015), save that: (i) the general bail-in tool applied from 1 January 2016; and (ii) a "depositor preference" granted for deposits other than those protected by the deposit guarantee scheme and excess deposits of individuals and SME's will apply from 1 January 2019.

It is important to note that, pursuant to article 49 of Legislative Decree No. 180/2015, resolution authorities may not exercise the write down/conversion powers in relation to secured liabilities, including covered bonds or their related hedging instruments, save to the extent that these powers may be exercised in relation to any part of a secured liability (including covered bonds and their related hedging instruments) that exceeds the value of the assets, pledge, lien or collateral against which it is secured.

In addition, because (i) Article 44(2) of the BRRD excludes certain liabilities from the application of the general bail-in tool and (ii) the BRRD provides, at Article 44(3), that the resolution authority may in specified exceptional circumstances partially or fully exclude certain further liabilities from the application of the general bail-in tool, the BRRD specifically contemplates that *pari passu* ranking liabilities may be treated unequally. Further, although the BRRD provides a safeguard in respect of shareholders and creditors upon application of resolution tools, Article 75 of the BRRD sets out that such protection is limited to the incurrence by shareholders or, as appropriate, creditors, of greater losses as a result of the application of the relevant tool than they would have incurred in a winding up under normal insolvency proceedings. It is therefore possible not only that the claims of other holders of junior or *pari passu* liabilities may have been excluded from the application of the general bail-in tool, but also that the safeguard referred to above does not apply to ensure equal (or better) treatment compared to the holders of such fully or partially excluded claims because the safeguard is not intended to address such possible unequal treatment but rather to ensure that shareholders or creditors do not incur greater losses in a bail-in (or other application of a resolution tool) than they would have received in a winding up under normal insolvency proceedings. It should be noted also that certain categories of liability are subject to the mandatory exclusions from bail-in foreseen in Article 44(2) of the BRRD. For instance, most forms of liability for taxes, social security contributions or to employees benefit from privilege under Italian law and as such are preferred to ordinary senior unsecured creditors in the context of liquidation proceedings.

Also, Article 108 of the BRRD requires that Member States modify their national insolvency regimes such that deposits of natural persons and micro, small and medium sized enterprises in excess of the coverage level contemplated by deposit guarantee schemes created pursuant to Directive 2014/49/EU have a ranking in normal insolvency proceedings which is higher than the ranking which applies to claims of ordinary, unsecured, non-preferred creditors. In addition, the BRRD does not prevent Member States, including Italy, from amending national insolvency regimes to provide other types of creditors, with rankings in insolvency higher than ordinary, unsecured, non-preferred creditors. Legislative Decree No. 181/2015 has amended the creditor hierarchy in the case of admission of Italian banks and investment firms to liquidation proceedings (and therefore the hierarchy which will apply in order to assess claims pursuant the safeguard provided for in Article 75 of the BRRD as described above), by providing that, as from 1 January 2019, all deposits other than those protected by the deposit guarantee scheme and excess deposits of individuals and SME's (which benefit from the super-priority required under Article 108 of the BRRD) will benefit from priority over senior unsecured liabilities, though with a ranking which is lower than that provided for individual/SME deposits exceeding the coverage limit of the deposit guarantee scheme. This means that, as from 1 January 2019, significant amounts of liabilities in the form of large corporate and interbank deposits which under the national insolvency regime currently in force in Italy rank *pari passu* with any unsecured liability owed to the holders of bonds, will rank higher than such unsecured liabilities in normal insolvency proceedings and therefore that, on application of the general bail-in tool, such creditors will be written-down/converted into equity capital instruments only after such unsecured liabilities. Therefore, the safeguard set out in Article 75 of the BRRD (referred to above) would not provide any protection against this result since, as noted above, Article 75 of the BRRD only seeks to achieve compensation for losses incurred by creditors which are in excess of those which would have been incurred in a winding-up under normal insolvency proceedings.

Legislative Decree No. 181/2015 has also introduced strict limitations on the exercise of the statutory rights of set-off normally available under Italian insolvency laws, in effect prohibiting set-off by any creditor in the absence of an express agreement to the contrary.

In addition to the above, with specific reference to the Covered Bonds, to the extent that claims in relation to the relevant Covered Bonds are not met out of the assets of the Cover Pool or the proceeds arising from it (and the Covered Bonds subsequently rank pari passu with senior debt), the Covered Bonds may be subject to write-down or conversion into equity by the competent resolution authorities on any application of the general bail-in tool, which may result in Covered bondholders losing some or all of their investment. In the limited circumstances described above, the exercise of any power under the BRRD or any suggestion of such exercise could, therefore, materially adversely affect the rights of Covered Bondholders, the price or value of their investment in any relevant Covered Bonds and/or the ability of the Issuer to satisfy its obligations under any relevant Covered Bonds.

As the BRRD has only recently been implemented in Italy and other Member States, there is material uncertainty as to the effects of any application of it in practice.

The powers set out in the BRRD will impact how credit institutions and investment firms are managed as well as, in certain circumstances, the rights of creditors, including Covered Bonds issued under the Programme.

By the end of 2016, European banks also have to comply with the MREL. The BRRD does not foresee an absolute minimum, but attributes the competence to set a minimum amount for

each bank to national resolution authorities (for banks not being part of the European banking union (the "**Banking Union**")) or to the Single Resolution Board (the "**SRB**") for banks being part of the Banking Union. The SRB will set MREL targets at consolidated level for all major banking groups in the remit of the SRB in the course of 2016. For 2016 the MREL requirement will be fixed at consolidated level only. On 23 May 2016, the European Commission adopted a Delegated Regulation, entered into force on 23 September 2016, that specifies the criteria which further define the way in which resolution authorities/the SRB shall calculate MREL, as described in article 45(6) of the BRRD. MREL decisions for subsidiaries will be made in a second stage, based on, among other things, their individual characteristics and the consolidated level which has been set for the relevant group. The Delegated Regulation provides that the Resolution Authority may determine an appropriate transitional period for the purposes of meeting the full MREL requirement.

The Group may be subject to a proposed EU regulation on mandatory separation of certain banking activities

On 29 January 2014, the European Commission adopted a proposal for a new regulation on structural reform of the European banking sector following the recommendations released on 31 October 2012 by the High Level Expert Group (the "**Liikanen Group**") on the mandatory separation of certain banking activities. The proposed regulation contains new rules which would prohibit the biggest and most complex banks from engaging in the activity of proprietary trading and introduce powers for supervisors to separate certain trading activities from the relevant bank's deposit-taking business if the pursuit of such activities compromises financial stability. Alongside this proposal, the Commission has adopted accompanying measures aimed at increasing transparency of certain transactions in the shadow banking sector.

The proposed regulation will apply to European banks that will eventually be designated as global systemically important banks (G-SIBs) or that exceed the following thresholds for three consecutive years: a) total assets are equal or exceed €30 billion; b) total trading assets and liabilities are equal or exceed €70 billion or 10 per cent. of their total assets. The banks that meet either one of the aforementioned conditions will be automatically banned from engaging in proprietary trading defined narrowly as activities using a bank's own capital or borrowed money to take positions in any type of transaction to purchase, sell or otherwise acquire or dispose of any financial instrument or commodities for the sole purpose of making a profit for own account, and without connection to actual or anticipated client activity for the purpose of hedging the entity's risk as a result of actual or anticipated client activity. In addition, such banks will be prohibited also from investing in or holding shares in hedge funds, or entities that engage in proprietary trading or sponsor hedge funds. Other trading and investment banking activities – including market-making, lending to venture capital and private equity funds, investment and sponsorship of complex securitisation, sales and trading of derivatives – are not subject to the ban, subject to the discretion of the bank's competent authority, however they might be subject to separation if such activities are deemed to pose a threat to financial stability.

The proprietary trading ban would apply as of 1 January 2017 and the effective separation of other trading activities would apply as of 1 July 2018.

The Commission's proposal is currently being considered and is likely to be amended by the European Parliament and the Council in their function of co-legislators. The Council of the European Union has reached a "general approach" (informal agreement) on the text, while

the Parliament has still not found an agreement on the draft report to the proposal. Therefore, there is still no final legislative text.

Should a mandatory separation be imposed, additional costs at Group level are not ruled out, in terms of higher funding costs, additional capital requirements and operational costs due to the separation, lack of diversification benefits. Due to a relatively limited trading activity, Italian banks could be penalised and put at a relative disadvantage in comparison with their main global and European competitors (e.g. French and German banking institutions). As a result, the proposal could lead to the creation of an oligopoly where only the biggest players will be able to support the separation of the trading activities and the costs that will be incurred. An additional layer of complexity, leading to uncertainty, is the high risk of diverging approaches throughout Europe on this issue.

The Group may be affected by new accounting and regulatory standards

Following the entry into force and subsequent application of new accounting standards and/or regulatory rules and/or the amendment of existing standards and rules, the Group may have to revise the accounting and regulatory treatment of certain outstanding assets and liabilities (eg. deferred tax assets) and transactions (and the related income and expense). This may have potentially negative effects, also significant, on the estimates contained in the financial plans for future years and may cause to the Group to have to restate previously published financials.

In this regard, it should be noted that during 2013 the IASB published the amendment to IAS 19 "Employee contributions to defined benefit plans" and also a collection of amendments made to IFRSs as part of the Project "Improvements to International Accounting Standards, 2010-2012 cycle". These documents was endorsed by European Commission on December 2014, and are mandatorily to be applied for annual periods beginning on or after 1 February 2015.

During 2015, the European Commission endorsed the following accounting principles and interpretation that are applicable from 1 January 2016:

- Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortisation" (issued in May 2014);

- Amendments to IFRS 11 "Joint Arrangements" (issued in May 2014);

- Amendments to IAS 27 "Equity method in Separate Financial Statements" (issued in August 2014);

- Annual improvements to IFRSs: 2012-2014 Cycle (issued in September 2014);

- Amendments to IAS 1: Disclosure Initiative (issued in December 2014)

The IASB also issued the following standards not yet endorsed by European Commission:

- IFRS 14 "Regulatory Deferral Accounts" (issued in January 2014);

- IFRS 15 "Revenue from Contracts with Customers" (issued in May 2014);

- IFRS 9 "Financial Instruments" (issued in July 2014); and

– IFRS 16 "Leases" (issued in January 2016).

In particular IFRS 9 will introduce significant changes whit reference to classification, measurement, impairment and hedge accounting of financial instruments, replacing IAS 39. It is expected that the new standard will come into force on 1 January 2018 but with the possibility of early application of the entire standard or mere amendments connected to the treatment of own credit for financial liabilities designated to fair value once it has been previously approved by the European Commission in accordance with the procedure under article 6 of European Parliament and Council Regulation no. 1606/2002 of 19 July 2002. The application of IFRS 9 could therefore have a significant impact with consequent effects on the capital representation of financial instruments and their economic result, which cannot presently be quantified. Moreover, the entrance into force of IFRS 9 will have an effect on "Own Funds", due to the fact that banks will no longer be able to make recourse to the possibility to completely neutralise capital gains and capital losses booked to the revaluation reserves (the symmetrical approach) rather they will have to include in their own funds unrealised profits and losses relating to exposure to central administrations currently classified in the category of "Financial assets available for sale" under IAS 39. This new prudential treatment will be applicable when the European Commission has adopted a regulation on the basis of European Regulation n. 1606/2002 approving IFRS 9 in replacement of IAS 39.

In consideration of the above, continued compliance with multiple regulations (principally, (in consideration of principles introduced by Basel III) the need to increase capital – at equal dimension – and to comply with liquidity parameters) require the commitment of significant resources, as well as the adoption of internal policies and rules that are similarly complex and could result in increased costs and/or reduced revenues for the Issuer and the Group.

Although the Group constantly employs significant resources and adequate internal policy for the purpose of complying with multiple legislative and regulatory provisions applicable, it should be noted that failure to comply with those regulations, or possible legislative/regulatory changes or changes to the interpretation and/or application of applicable rules by the competent authorities could result in material adverse effects for operational results and on the economic and financial situation of the Group.

The Group may be affected by a proposed EU Financial Transactions Tax

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Covered Bonds (including secondary market transactions) in certain circumstances. The issuance and subscription of Covered Bonds should, however, be exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Covered Bonds where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains

unclear. Additional EU Member States may decide to participate.

Prospective holders of the Covered Bonds are advised to seek their own professional advice in relation to the FTT.

Investment Considerations relating to the Guarantor

Guarantor only obliged to pay Guaranteed Amounts when they are Due for Payment

Following service of a Guarantee Enforcement Notice on the Issuer and the Guarantor, under the terms of the Guarantee the Guarantor will only be obliged to pay Guaranteed Amounts as and when the same are Due for Payment, provided that, in the case of any amounts representing the Final Redemption Amount due and remaining unpaid as at the original Maturity Date, the Guarantor may pay such amounts in accordance with the applicable Priority of Payments on any Guarantor Payment Date thereafter, up to (and including) the Extended Maturity Date. Such Guaranteed Amounts will be paid subject to and in accordance with the Guarantee Priority of Payments or the Post-Enforcement Priority of Payments, as applicable. In such circumstances, the Guarantor will not be obliged to pay any other amounts in respect of the Covered Bonds which become payable for any other reason.

Subject to any grace period, if the Guarantor fails to make a payment when Due for Payment under the Guarantee or any other Guarantor Event of Default occurs, then the Representative of the Bondholders will accelerate the obligations of the Guarantor under the Guarantee by service of a Guarantor Default Notice, whereupon the Representative of the Bondholders will have a claim under the Guarantee for an amount equal to the Guaranteed Amounts. Following service of a Guarantor Default Notice, the amounts due from the Guarantor shall be applied by the Representative of the Bondholders in accordance with the Post-Enforcement Priority of Payments, and Bondholders will receive amounts from the Guarantor on an accelerated basis. If a Guarantor Default Notice is served on the Guarantor then the Covered Bonds may be repaid sooner or later than expected or not at all.

In accordance with Article 7-*bis* of Law 130, prior to and following a winding up of the Guarantor and an Issuer Event of Default or Guarantor Event of Default causing the Guarantee to be called, proceeds of the Cover Pool paid to the Guarantor will be exclusively available for the purpose of satisfying the obligations owed to the Bondholders, to the Other Guarantor Creditors and to any other creditors exclusively in satisfaction of the transaction costs of the Programme. The Cover Pool may not be seized or attached in any form by creditors of the Guarantor other than the entities referred to above, until full discharge by the Guarantor of its payment obligations under the Guarantee or cancellation thereof.

Limited resources available to the Guarantor

Following the service of a Guarantee Enforcement Notice on the Issuer and on the Guarantor, the Guarantor will be under an obligation to pay the Bondholders and shall procure the payment of the Guaranteed Amounts when they are Due for Payment. The Guarantor's ability to meet its obligations under the Guarantee will depend on (a) the amount of interest and principal generated by the Cover Pool and the timing thereof, (b) amounts received from the Swap Providers and (c) the proceeds of any Eligible Investments. The Guarantor will not have any other source of funds available to meet its obligations under the Guarantee.

If a Guarantor Event of Default occurs and the Guarantee is enforced, the proceeds of enforcement may not be sufficient to meet the claims of all the secured creditors, including the Bondholders. If, following enforcement and realization of the assets in the Cover Pool, creditors have not received the full amount due to them pursuant to the terms of the Programme Documents, then they may still have an unsecured claim against the Issuer for the shortfall. There is no guarantee that the Issuer will have sufficient funds to pay that shortfall.

Each Other Guarantor Creditor has undertaken in the Intercreditor Agreement not to petition or commence proceedings for a declaration of insolvency (nor join any such petition or proceedings) against the Guarantor at least until one year and one day after the date on which all Series and Tranches of Covered Bonds issued in the context of the Programme have been cancelled or redeemed in full in accordance with their Conditions and the relevant final Terms.

Reliance of the Guarantor on third parties

The Guarantor has entered into agreements with a number of third parties, which have agreed to perform services for the Guarantor. In particular, but without limitation, the Principal Servicer has been appointed, and upon accession to the Programme, each Additional Servicer will be appointed to carry out the administration, management, collection and recoveries activities relating to the Assets comprised in the relevant Portfolios sold to the Guarantor and (i) the Issuer has been appointed as Pre-Issuer Default Test Calculation Agent for any calculations in respect of the Mandatory Tests and the Asset Coverage Tests to be performed during the period prior to a Guarantee Enforcement Notice; (ii) the Guarantor Calculation Agent has been appointed as Post-Issuer Default Test Calculation Agent for any calculation in respect of the Mandatory Tests to be performed during the period following a Guarantee Enforcement Notice.

In the event that any of these parties fails to perform its obligations under the relevant agreement to which it is a party, the realisable value of the Cover Pool or any part thereof or pending such realization (if the Cover Pool or any part thereof cannot be sold) the ability of the Guarantor to make payments under the Guarantee may be affected. For instance, if the Principal Servicer and/or any Additional Servicer(s) has failed to administer the Mortgage Loans adequately, this may lead to higher incidences of non-payment or default by Borrowers. The Guarantor is also reliant on the Swap Providers to provide it with the funds matching its obligations under the Guarantee, as described in the following two investment considerations.

If a Servicer Termination Event occurs pursuant to the terms of the Master Servicing Agreement, then the Guarantor and/or the Representative of the Bondholders will be entitled to terminate the appointment of the Servicer and appoint a new servicer in its place. In addition, the Servicer may resign from the Master Servicing Agreement, within 12 months from the relevant Execution Date, by giving not less than a 6 months prior written notice to the Representative of the Bondholders, the Rating Agencies, the Asset Swap Provider and Joint-Arrangers. There can be no assurance that a substitute servicer with sufficient experience of administering mortgages of residential or commercial properties would be found who would be willing and able to carry out the administration, management, collection and recovery activities relating to the Assets on the terms of the Master Servicing Agreement. The ability of a substitute servicer to perform fully the required services would depend, *inter alia*, on the information, software and records available at the time of the appointment. Any delay or inability to appoint a substitute servicer may affect the realisable value of the Cover

Pool or any part thereof, and/or the ability of the Guarantor to make payments under the Guarantee.

The Servicer has no obligation to advance payments if the Borrowers fail to make any payments in a timely fashion. Bondholders will have no right to consent to or approve of any actions taken by the Servicer under the Master Servicing Agreement.

The Representative of the Bondholders is not obliged in any circumstances to act as the Servicer or the Additional Servicer (as the case may be) or to monitor the performance by the Servicer or the Additional Servicer (as the case may be) of its obligations.

Reliance on Swap Providers

To mitigate possible variations in the performance of the Cover Pool, the Guarantor may, but it is not obliged to, enter into one or more Asset Swap Agreements with one or more Asset Swap Providers. In addition, to mitigate interest rate, currency and/or other risks in respect of each Series or Tranche of Covered Bonds issued under the Programme, the Guarantor is expected to enter into one or more Covered Bond Swap Agreements with one or more Covered Bond Swap Providers in respect of each Series or Tranche of Covered Bonds.

A Swap Provider is (unless otherwise stated in the relevant Swap Agreement) only obliged to make payments to the Guarantor as long as the Guarantor complies with its payment obligations under the relevant Swap Agreement. In circumstances where non-payment by the Guarantor under a Swap Agreement does not result in a default under that Swap Agreement, the Swap Provider may be obliged to make payments to the Guarantor pursuant to the Swap Agreement as if payment had been made by the Guarantor.

If a Swap Provider is not obliged to make payments or if it defaults in its obligations to make payments of under the relevant Swap Agreement, the Guarantor may be exposed to changes in the relevant currency exchange rates to Euro and to any changes in the relevant rates of interest and/or to the performance of the Cover Pool. In addition, subject to the then current ratings of the Covered Bonds not being adversely affected, the Guarantor may hedge only part of the possible risk and, in such circumstances, may have insufficient funds to meet its payment obligations, including under the Covered Bonds or the Guarantee.

If a Swap Agreement terminates, then the Guarantor may be obliged to make a termination payment to the relevant Swap Provider. There can be no assurance that the Guarantor will have sufficient funds available to make a termination payment under the relevant Swap Agreement, nor can there be any assurance that the Guarantor will be able to enter into a replacement swap agreement with an adequately rated counterparty, or if one is entered into, that the credit rating of such replacement swap provider will remain sufficiently high to prevent a downgrade by the Rating Agencies of the then current ratings of the Covered Bonds. In addition the Swap Agreements may provide that notwithstanding the downgrading of a Swap Provider and the failure by such Swap Provider to take the remedial action set out in the relevant Swap Agreement, the Guarantor may not terminate the Swap Agreement until a replacement swap provider has been found.

Following the service of a Guarantee Enforcement Notice, payments (other than principal payments) by the Guarantor (including any termination payment) under the Covered Bond Swap Agreements and Asset Swap Agreements will rank *pari passu* and *pro rata* to interest amounts due on the Covered Bonds under the Guarantee. Accordingly, the obligation to pay a

termination payment may adversely affect the ability of the Guarantor to meet its obligations under the Covered Bonds or the Guarantee.

Differences in timings of obligations under the Covered Bond Swaps

It is expected that pursuant to the Covered Bond Swap Agreements, the Guarantor will pay on each quarterly Guarantor Payment Date, a floating rate option such as, for Series or Tranches of Covered Bonds denominated in Euro, a floating rate linked to EURIBOR. Each Covered Bond Swap Provider is expected to make corresponding swap payments to the Guarantor on the Interest Payment Date of the relevant Series or Tranche of Covered Bonds, which could be monthly, quarterly, semi-annual or annual.

Due to the mismatch in timing of payments under the Covered Bond Swap Agreements, on many Guarantor Payment Dates, the Guarantor will be required to make a payment to the Covered Bond Swap Provider without receiving a payment in return and therefore there can be no netting of payments except on the date when the Covered Bond Swap Provider is required to make a payment to the Guarantor.

No gross up on withholding tax

In respect of payments made by the Guarantor under the Guarantee, to the extent that the Guarantor is required by law to withhold or deduct any present or future taxes of any kind imposed or levied by or on behalf of the Republic of Italy from such payments, the Guarantor will not be under an obligation to pay any additional amounts to Bondholders, irrespective of whether such withholding or deduction arises from existing legislation or its application or interpretation as at the relevant Issue Date or from changes in such legislation, application or official interpretation after the Issue Date.

Change of counterparties

The parties to the Programme Documents who receive and hold monies pursuant to the terms of such documents (such as the Italian Account Bank, the English Account Bank or the Principal Servicer and, upon accession to the Programme, each Additional Servicer(s)) are required to satisfy certain criteria in order to continue to receive and hold such monies.

These criteria include, *inter alia*, requirements in relation to the short-*ter*m and long-*ter*m, unguaranteed and unsecured ratings ascribed to such party by the Rating Agencies. If the party concerned ceases to satisfy the ratings criteria, then the rights and obligations of that party (including the right or obligation to receive monies, or to effect payments, on behalf of the Guarantor) may be required to be transferred to another entity which does satisfy the applicable criteria. In these circumstances, the terms agreed with the replacement entity may not be as favourable as those agreed with the original party pursuant to the Programme Documents.

In addition, should the applicable criteria cease to be satisfied, then the parties to the relevant Programme Document may agree to amend or waive certain of the terms of such document, including the applicable criteria, in order to avoid the need for a replacement entity to be appointed. The consent of Bondholders may not be required in relation to such amendments and/or waivers.

Limited description of the Cover Pool

Bondholders will not receive detailed statistics or information in relation to the Assets in the Cover Pool, because it is expected that the constitution of the Cover Pool will frequently change due to, for instance:

- the Issuer, or any Additional Seller(s), selling further Assets (or types of Assets, which are of a type that have not previously been comprised in the Cover Pool) to the Guarantor; and

- the Issuer, or any Additional Seller(s), repurchasing or substituting Assets in accordance with the Master Assets Purchase Agreement.

However, each Eligible Asset Loan will be required to meet the Eligibility Criteria and to conform with the representations and warranties set out in the Warranty and Indemnity Agreement — see "*Description of the Programme Documents — Warranty and Indemnity Agreement*". In addition, the Asset Coverage Test is intended to ensure that the Adjusted Aggregate Asset Amount is an amount equal to or in excess of the aggregate outstanding principal amount of the Covered Bonds for so long as Covered Bonds remain outstanding and the Pre-Issuer Default Test Calculation Agent will provide monthly reports that will set out certain information in relation to the Asset Coverage Test.

Nonetheless, the main composition details of the Cover Pool are available on the Issuer's website (www.mps.it) by the publication of the Payment Report and updated on a quarterly basis pursuant to article 129, paragraph 7, of the CRD IV Regulation.

No due diligence on the Cover Pool

None of the Joint-Arrangers, any Dealer, the Guarantor or the Representative of the Bondholders has undertaken or will undertake any investigations, searches or other actions in respect of any of the Eligible Assets or other Receivables. Instead, the Guarantor will rely on the Common Criteria, the Specific Criteria, the Additional Criteria and the relevant representations and warranties given by the relevant Seller(s) and, upon accession to the Programme, each Additional Seller(s), in the Warranty and Indemnity Agreement. The remedy provided for in the Warranty and Indemnity Agreement for breach of representation or warranty is for the relevant Seller(s) to indemnify and hold harmless the Guarantor in respect of losses arising from such breach and for the Guarantor to exercise an option right to retransfer the Assets in respect of which a breach of the representation or warranty has occurred which were previously assigned to it by the relevant Seller in accordance with the terms and conditions set out in the Warranty and Indemnity Agreement. Such obligations are not guaranteed by nor will they be the responsibility of any person other than the relevant Seller and neither the Guarantor nor the Representative of the Bondholders will have recourse to any other person in the event that the relevant Seller, for whatever reason, fails to meet such obligations. However, pursuant to the Cover Pool Management Agreement the assets which are not Eligible Assets comprised in the Cover Pool are excluded by the calculation of the Tests on the Portfolio and in case of breach of a Test due to such exclusion, either the Principal Seller and/or the Additional Seller(s) or, failing the latter to do so, the Issuer are obliged to integrate the Cover Pool.

Maintenance of the Cover Pool

Pursuant to the terms of the Master Assets Purchase Agreement, the Principal Seller has agreed (and the Additional Seller(s) upon their accession to the Master Assets Purchase Agreement) to transfer New Portfolios to the Guarantor and the Guarantor has agreed to purchase New Portfolios in order to ensure that the Cover Pool is in compliance with the Tests. The Initial Portfolio Purchase Price was funded through the proceeds of the Term Loan granted under the Subordinated Loan Agreement between the Guarantor and BMPS and the New Portfolio Purchase Price will be funded through (A) (i) any Guarantor Available Funds available in accordance with the Pre-Issuer Default Principal Priority of Payments; (ii) to the extent the Guarantor Available Funds are not sufficient to pay the relevant New Portfolio Purchase Price, the proceeds of a Term Loan granted under the Subordinated Loan Agreements, for an amount equal to the portion of the New Portfolio Purchase Price not paid in accordance with item (i); (B) in certain circumstances, entirely by means of a Term Loan granted under the Subordinated Loan Agreements.

Under the terms of the Cover Pool Management Agreement, the Issuer has undertaken (and the Additional Seller(s) will undertake upon their accession to the Cover Pool Management Agreement) to ensure that on each Test Calculation Date the Cover Pool is in compliance with the Tests. If on any Test Calculation Date the Cover Pool is not in compliance with the Tests, then the Guarantor will require the Principal Seller and/or the Additional Seller to grant further Term Loans for the purposes of funding the purchase of New Portfolios, Top-Up Assets and/or other Eligible Assets, representing an amount sufficient to allow the Tests to be met on the next following Test Calculation Date. If the Cover Pool is not in compliance with the Tests on the next following Test Calculation Date, the Representative of the Bondholders will serve a Breach of Tests Notice on the Issuer and the Guarantor. The Representative of the Bondholders shall revoke the Breach of Tests Notice if on any Test Calculation Date the Tests are subsequently satisfied, unless any other Segregation Event has occurred and is outstanding and without prejudice to the obligation of the Representative of the Bondholders to serve a Breach of Tests Notice in the future. If, following the delivery of a Breach of Test Notice, the Tests are not met on, or prior to, the Test Calculation Date falling at the end of the Test Remedy Period, the Representative of the Bondholders will serve a Guarantee Enforcement Notice on the Issuer and the Guarantor, unless a Programme Resolution is passed resolving to extend the Test Remedy Period.

If the aggregate collateral value of the Cover Pool has not been maintained in accordance with the terms of the Tests, that may affect the realisable value of the Cover Pool or any part thereof (both before and after the occurrence of a Guarantor Event of Default) and/or the ability of the Guarantor to make payments under the Guarantee. Failure to satisfy the Amortisation Test on any Test Calculation Date following the delivery of a Guarantee Enforcement Notice will cause all Covered Bonds becoming immediately Pass Through Series.

Subject to receipt of the relevant information from the Issuer, the Asset Monitor will perform specific agreed upon procedures set out in the Asset Monitor Engagement Letter entered into with the Issuer on 18 June 2010 relating, *inter alia*, to (i) the fulfilment of the eligibility criteria set out under Decree No. 310 with respect to the Eligible Assets and Top-Up Assets included in the Cover Pool; (ii) the calculation performed by the Issuer in respect of the Mandatory Tests; (iii) the compliance with the limits to the transfer of the Eligible Assets set out under Decree No. 310; and (iv) the effectiveness and adequacy of the risk protection provided by any Swap Agreement entered into in the context of the Programme. In addition,

the Asset Monitor will, pursuant to the terms of the Asset Monitor Agreement, (i) prior to delivery of a Guarantee Enforcement Notice, verify, on behalf of the Issuer, the calculations performed by the Pre-Issuer Default Test Calculation Agent in respect of the Mandatory Tests and the Asset Coverage Test, and (ii) following the delivery of a Guarantee Enforcement Notice, verify, on behalf of the Guarantor, the calculations performed by the Post-Issuer Default Test Calculation Agent in respect of the Amortisation Test. See further "*Description of the Programme Documents – Asset Monitor Agreement*".

Sale of the Eligible Assets and the Top-Up Assets following the delivery of a Guarantee Enforcement Notice

Following a Guarantee Enforcement Notice, the Guarantor shall use its best effort to sell the Eligible Assets and Top-Up Assets (selected on a random basis) included in the Cover Pool in order to make payments to the Guarantor's creditors including making payments under the Guarantee, see "*Description of the Programme Documents - Cover Pool Management Agreement*".

There is no guarantee that a buyer will be found to acquire the Eligible Assets and the Top-Up Assets at the times required and there can be no guarantee or assurance as to the price which may be obtained for such Eligible Assets and Top-Up Assets, which may affect payments under the Guarantee.

In any case, after the delivery of a Guarantee Enforcement Notice the Guarantor (or the Principal Servicer on behalf of the Guarantor) shall use its best efforts to sell the Selected Assets on a random basis in an amount as close as possible to the amount necessary to (i) redeem in full the Pass Through Series and/or the Earliest Maturing Covered Bonds (if maturating in the next succeeding six months), and (ii) to pay any interest amount due in respect of the Covered Bonds, net of any amounts standing to the credit of the Programme Accounts, provided that: (A) prior to and following the sale of such Selected Assets, the Amortisation Test is complied with; and (B) the Guarantor and the Portfolio Manager shall use their best effort to sell the Selected Assets, at the first attempt, at a price that ensures that the ratio between the aggregate Outstanding Principal Balance of the Cover Pool and the Outstanding Principal Amount of all Series of Covered Bonds remains unaltered following the sale of the relevant Selected Assets and repayment of the Pass Through Series and/or Earliest Maturing Covered Bonds (as the case may be).

If the proceed of the sale of Selected Assets raised on the first attempt are insufficient to pay the amounts referred to above, the Guarantor shall repeat its attempt to sell Eligible Assets every sixth months thereafter until the earlier of (i) the date on which the Pass Through Series of Covered Bonds have been redeemed in full and (ii) the date on which a Guarantor Default Notice is delivered.

Liquidation of assets following the occurrence of a Guarantor Event of Default

If a Guarantor Event of Default occurs and a Guarantor Default Notice is served on the Guarantor, then the Representative of the Bondholders will be entitled to enforce the Guarantee and use the proceeds from the liquidation of the Cover Pool towards payment of all secured obligations in accordance with the "Post-Enforcement Priority of Payments" described in the section entitled "*Cashflows*" below.

There is no guarantee that the proceeds of the liquidation of the Cover Pool will be in an amount sufficient to repay all amounts due to creditors (including the Bondholders) under the Covered Bonds and the Programme Documents. If a Guarantor Default Notice is served on the Guarantor then the Covered Bonds may be repaid sooner or later than expected or not at all.

Factors that may affect the realisable value of the Cover Pool or the ability of the Guarantor to make payments under the Guarantee

Following the occurrence of certain Issuer Events of Default and the corresponding service of a Guarantee Enforcement Notice on the Issuer and on the Guarantor, the realisable value of the Eligible Assets and the Top-Up Assets comprised in the Cover Pool may be reduced (which may affect the ability of the Guarantor to make payments under the Guarantee) by:

- default by Borrowers in the payment of amounts due on their Mortgage Loans;
- an insolvency event or another event contractually indicated as event of default has occurred in respect to the issuer, of any Asset Backed Securities comprised in the Cover Pool pursuant to the relevant terms and conditions;
- changes to the lending criteria of the Issuer;
- set-off risks in relation to some types of Mortgage Loans in the Cover Pool;
- limited recourse to the Guarantor;
- possible regulatory changes by the Bank of Italy, CONSOB and other regulatory authorities;
- timing of a relevant sale of assets;
- regulations in Italy that could lead to some terms of the Mortgage Loans being unenforceable; and
- status of real estate market in the areas of operation of the Issuer.

Each of these factors is considered in more detail below. However, it should be noted that the Mandatory Tests, the Amortisation Test, the Asset Coverage Test and the Eligibility Criteria are intended to ensure that there will be an adequate amount of Eligible Assets and Top-Up Assets in the Cover Pool to enable the Guarantor to repay the Covered Bonds following an Issuer Event of Default, service of a Guarantee Enforcement Notice on the Issuer and on the Guarantor and accordingly it is expected (although there is no assurance) that assets comprised in the Cover Pool could be realised for sufficient values to enable the Guarantor to meet its obligations under the Guarantee.

Value of the Cover Pool

The Guarantee granted by the Guarantor in respect of the Covered Bonds will be backed by the Cover Pool and the recourse against the Guarantor will be limited to such assets. Since the economic value of the Cover Pool may increase or decrease, the value of the Guarantor's assets may decrease (for example if there is a general decline in property values). The Issuer

makes no representation, warranty or guarantee that the value of a Real Estate Asset will remain at the same level as it was on the date of the origination of the related Mortgage Loan or at any other time. If the residential property market in Italy experiences an overall decline in property values, the value of the Mortgage Loan could be significantly reduced and, ultimately, may result in losses to the Bondholders if such security is required to be enforced.

No representations or warranties to be given by the Guarantor or the relevant Seller if Selected Assets and their related Security Interests are to be sold

After the service of a Guarantee Enforcement Notice on the Guarantor, but prior to service of a Guarantor Default Notice, the Guarantor shall, if necessary in order to effect timely payments under the Covered Bonds, sell the Selected Assets and their related Security Interests included in the Cover Pool, subject to a right of pre-emption granted to the relevant Seller pursuant to the terms of the Master Assets Purchase Agreement and of the Cover Pool Management Agreement. In respect of any sale of Selected Assets and their related Security Interests to third parties, however, the Guarantor will not provide any warranties or indemnities in respect of such Selected Assets and related Security Interests and there is no assurance that the relevant Seller would give or repeat any warranties or representations in respect of the Selected Assets and related Security Interests or if it has not consented to the transfer of such warranties or representations. Any representations or warranties previously given by the relevant Seller in respect of the Mortgage Loans in the Portfolios may not have value for a third party purchaser if the relevant Seller is then insolvent. Accordingly, there is a risk that the realisable value of the Selected Assets and related Security Interests could be adversely affected by the lack of representations and warranties which in turn could adversely affect the ability of the Guarantor to meet its obligations under the Guarantee.

Claw-back of the sales of the Receivables

Assignments executed under Law 130 are subject to revocation on bankruptcy under article 67 of the Bankruptcy Law but only in the event that the declaration of bankruptcy of the relevant Seller is made within three months of the covered bonds transaction (or of the purchase of the Cover Pool) or, in cases where paragraph 1 of article 67 applies (e.g. if the payments made or the obligations assumed by the bankrupt party exceed by more than one-fourth the consideration received or promised), within six months of the covered bonds transaction (or of the purchase of the Cover Pool).

Default by borrowers in paying amounts due on their Mortgage Loans

Borrowers may default on their obligations due under the Mortgage Loans for a variety of reasons. The Mortgage Loans are affected by credit, liquidity and interest rate risks. Various factors influence mortgage delinquency rates, prepayment rates, repossession frequency and the ultimate payment of interest and principal, such as changes in the national or international economic climate, regional economic or housing conditions, changes in tax laws, interest rates, inflation, the availability of financing, yields on alternative investments, political developments and government policies. Other factors in borrowers' individual, personal or financial circumstances may affect the ability of borrowers to repay the Mortgage Loans. Loss of earnings, illness, divorce and other similar factors may lead to an increase in default by and bankruptcies of borrowers, and could ultimately have an adverse impact on the ability of borrowers to repay the Mortgage Loans. In addition, the ability of a borrower to sell a property given as security for a Mortgage Loan at a price sufficient to repay the amounts outstanding under that Mortgage Loan will depend upon a number of factors, including the

availability of buyers for that property, the value of that property and property values in general at the time.

The recovery of amounts due in relation to Defaulted Receivables will be subject to the effectiveness of enforcement proceedings in respect of the Cover Pool which in Italy can take a considerable time depending on the type of action required and where such action is taken and on several other factors, including the following: proceedings in certain courts involved in the enforcement of the Mortgage Loans and Mortgages may take longer than the national average; obtaining title deeds from land registries which are in process of computerising their records can take up to two or three years; further time is required if it is necessary to obtain an injunction decree (*decreto ingiuntivo*) and if the relevant Debtor raises a defence to or counterclaim in the proceedings; and it takes an average of six to eight years from the time lawyers commence enforcement proceedings until the time an auction date is set for the forced sale of any Real Estate Asset.

Law number 302 of 3 August 1998 allowed notaries, accountants and lawyers to conduct certain stages of the enforcement procedures in place of the courts in order to reduce the length of enforcement proceedings by between two and three years.

Insurance coverage

All Mortgage Loan Agreements provide that the relevant Real Estate Assets must be covered by an Insurance Policy issued by leading insurance companies approved by the relevant Seller. There can be no assurance that all risks that could affect the value of the Real Estate Assets are or will be covered by the relevant Insurance Policy or that, if such risks are covered, the insured losses will be covered in full. Any loss incurred in relation to the Real Estate Assets which is not covered (or which is not covered in full) by the relevant Insurance Policy could adversely affect the value of the Real Estate Assets and the ability of the relevant Debtor to repay the relevant Mortgage Loan.

Changes to the lending criteria of the relevant Seller

Each of the Mortgage Loans originated by the relevant Seller will have been originated in accordance with its lending criteria at the time of origination. Each of the Mortgage Loans sold to the Guarantor by the relevant Seller, but originated by a person other than the relevant Seller (a "**Third Party Originator**"), will have been originated in accordance with the lending criteria of such Third Party Originator at the time of origination. In the event of the sale or transfer of any Mortgage Loans to the Guarantor, the Issuer will warrant that (a) such Mortgage Loans as were originated by it were originated in accordance with the Issuer's lending criteria applicable at the time of origination and (b) such Mortgage Loans as were originated by a Third Party Originator, were originated in accordance with the relevant Third Party Originator's lending criteria applicable at the time of origination. The Issuer retains the right to revise its lending criteria from time to time subject to the terms of the Master Assets Purchase Agreement. Other Third Party Originators may additionally revise their lending criteria at any time. However, if such lending criteria change in a manner that affects the creditworthiness of the Mortgage Loans, that may lead to increased defaults by Borrowers and may affect the realisable value of the Cover Pool and the ability of the Guarantor to make payments under the Guarantee. However, Defaulted Receivables having Instalments not paid for more than 180 calendar days in the Cover Pool will be given a zero weighting for the purposes of the calculation of the Mandatory Tests, the Amortisation Test, the Asset Coverage Test and the Amortisation Test.

Legal risks relating to the Mortgage Loans

The ability of the Guarantor to recover payments of interest and principal from the Mortgage Loans is subject to a number of legal risks. These include the risks set out below.

Set-off risks

The assignment of receivables under Law 130 is governed by article 58, paragraph 2, 3 and 4, of the Consolidated Banking Act. According to such provision, such assignment becomes enforceable against the relevant debtors as of the later of (i) the date of the publication of the notice of assignment in the Official Gazette of the Republic of Italy (*Gazzetta Ufficiale della Repubblica Italiana*), and (ii) the date of registration of the notice of assignment in the local Companies' Registry. Consequently, the rights of the Guarantor may be subject to the direct rights of the Borrowers against the Issuer including rights of set-off on claims arising existing prior to notification in the Official Gazette and registration at the local companies' registry. The notification in the Official Gazette and the registration at the local companies' registry would be not sufficient to assure that such assignment becomes enforceable against Debtors which are not resident in Italy.

The exercise of set-off rights by Borrowers may adversely affect any sale proceeds of the Cover Pool and, ultimately, the ability of the Guarantor to make payments under the Guarantee.

Usury Law

The interest payments and other remuneration paid by the Borrowers under the Mortgage Loans are subject to Italian law No. 108 of 7 March 1996 (the "**Usury Law**"), which introduced legislation preventing lenders from applying interest rates equal to, or higher than, rates (the "**Usury Rates**") set every three months on the basis of a decree issued by the Italian Treasury (the last such decree having been issued on 26 September 2016). In addition, even where the applicable Usury Rates are not exceeded, interest and other benefits and/or remuneration may be held to be usurious if: (a) they are disproportionate to the amount lent (taking into account the specific situations of the transaction and the average rate usually applied for similar transactions); and (b) the person who paid or agreed to pay them was in financial and economic difficulties. The provision of usurious interest, benefits or remuneration has the same consequences as non-compliance with the Usury Rates.

The Italian Government, with law decree No. 394 of 29 December 2000, converted into law by law No. 24 of 28 February 2001 (the "**Usury Law Decree**" and, together with the Usury Law, the "**Usury Regulations**"), has established, *inter alia*, that interest is to be deemed usurious only if the interest rate agreed by the parties exceeds the Usury Rate applicable at the time the relevant agreement is reached. The Usury Law Decree also provides that, as an extraordinary measure due to the exceptional fall in interest rates in the years 1998 and 1999, interest rates due on instalments payable after 31 December 2000 on loans already entered into on the date on which the Usury Law Decree came into force (such date being 31 December 2000) are to be substituted with a lower interest rate fixed in accordance with parameters determined by the Usury Law Decree.

The Italian Constitutional Court has rejected, with decision No. 29/2002 (deposited on 25 February 2002), a constitutional exception raised by the Court of Benevento (2 January 2001) concerning article 1, paragraph 1, of the Usury Law Decree (now reflected in article 1,

paragraph 1 of the above mentioned conversion law No. 24 of 28 February 2001). In so doing, it has confirmed the constitutional validity of the provisions of the Usury Law Decree which hold that interest rates may be deemed to be void due to usury only if they infringe Usury Regulations at the time they are agreed between the borrower and the lender and not at the time such rates are actually paid by the borrower.

According to recent court precedents, the remuneration of any given financing must be below the applicable Usury Rates from time to time applicable. Based on this recent evolution of case law on the matter, it might constitute a breach of the Usury Regulations if the remuneration of a financing is lower than the applicable Usury Rates at the time the terms of the financing were agreed but becomes higher than the applicable Usury Rates at any point in time thereafter (see, for instance, *Cassazione* of 11 January 2013 No. 603). However, it is worth mentioning that, by more recent decisions, the Italian Supreme Court has clearly stated that, in order to establish if the interest rate exceeds the Usury Rate, it has to be considered the interest rate agreed between the parties at the time of the signing of the financing agreement, regardless of the time of the payment of such interest (see, for instance, *Cassazione* 27 September 2013, No. 22204; *Cassazione* 25 September 2013, No. 21885).

In addition, several recent court precedents have stated that default interest rates are relevant and must be taken into account when calculating the aggregate remuneration of any given financing for the purposes of determining its compliance with the applicable Usury Rates (see, for instance, *Cassazione* 9 January 2013 No. 350).

Compound interest

Pursuant to article 1283 of the Italian Civil Code, in respect of a monetary claim or receivable, accrued interest may be capitalised after a period of not less than six months provided that the capitalisation has been agreed after the date on which it has become due and payable or from the date when the relevant legal proceedings are commenced in respect of that monetary claim or receivable. According to article 1283 of the Italian civil code, such provision may be derogated from only in the event that there are recognised customary practices (*usi normativi*) to the contrary.

Banks and financial institutions in the Republic of Italy have traditionally capitalised accrued interest on a quarterly basis on the grounds that such practice could be characterised as a customary practice (*uso normativo*). However, a number of judgements from Italian courts (including judgements from the Italian Supreme Court (including Judgments No. 2593/2003 and No. 2374/1999 of the Italian Supreme Court) have held that such practices do not meet the legal definition of customary practices (*uso normativo*).

In this respect, it should be noted that article 25 of Legislative Decree No. 342 of 4 August 1999 (the "**Decree 342**"), enacted by the Italian Government under a delegation granted pursuant to Law No. 142 of 19 February 1992 (the "**Legge Delega**"), has delegated to the Interministerial Committee of Credit and Savings (the "**CICR**") powers to fix the conditions for the capitalisation of accrued interests. Pursuant to a resolution of the CICR dated 9 February 2000 (the "Resolution"), banks can capitalise accrued interest due from clients provided that they capitalise with the same frequency interest owed to clients. In particular, in compliance with the provisions set forth in the Resolution, from the date on which the Resolution entered into force (i.e. 22 April 2000), the capitalisation of accrued interest will still be possible upon the terms established by the Resolution which further provided that all conditions applied in relation to contracts executed prior to its coming into force were to be

adjusted so as to comply with such new regulation by 30 June 2000 with effect from 1 July 2000. Decree 342 was challenged before the Italian Constitutional Court on the grounds that it falls outside the scope of the legislative powers delegated under the Legge Delega.

On 17 October 2000, the Italian Constitutional Court (Judgment No. 425/2000) upheld the challenge of article 25 of Decree 342 on the grounds of *eccesso di delega*, declaring such article as unconstitutional, thus null and void on the basis of conflict with Italian constitutional principles. In addition, the Italian Supreme Court stated (by way of decision No. 21095 of 4 November 2004, thereafter confirmed by decision No. 10376 of 2006 of 5 May 2006) that the practice by the banks to capitalise accrued interest on a quarterly basis is invalid also in relation to agreements executed before Judgment No. 2374/99 by the Italian Supreme Court and not only for those agreements executed after such judgment.

As a consequence thereof, to the extent the Seller(s) were to capitalise interests in violation of the principle stated by article 1283 of the Italian civil code, a Debtor could challenge such practice and this could have a negative effect on the returns generated from the contracts.

Article 31 of Law Decree Competitività amended article 120, paragraph 2, of the Consolidated Banking Act by providing that interest shall not accrue on capitalised interests.

Recently, Law decree No. 18 of 14 February 2016 as converted into Law No. 49 of 8 April 2016 amended Article 120, paragraph 2, of the Consolidated Banking Act, providing that the accrued interest shall not produce further interest, except for default interest, and is calculated exclusively on the principal amount. The Article 120, as amended, has been implemented by a new resolution dated 3 August 2016 of the CICR (Interdepartmental Committee for Credit and Savings). Given the novelty of this new legislation, the relevant impact may not be predicted as at the date of this Base Prospectus.

However, prospective bondholders should note that under the terms of the Warranty and Indemnity Agreement, the Seller has represented that the Mortgage Loan Agreements have been executed and performed in compliance with the provisions of article 1283 of the Italian civil code and has furthermore undertaken to indemnify the Issuer from and against all damages, loss, claims, liabilities, costs and expenses incurred by it arising from the non-compliance of the terms and conditions of any Mortgage Loan Agreement with the Italian law provisions concerning the capitalisation of accrued interest.

Furthermore there have been two rulings of Italian Courts that have held that the calculations applicable to the instalments under certain mortgage loan agreements that were based upon the amortisation method known as "French amortisation" (i.e. mortgage loans with fixed instalments, made up of an amount of principal (that progressively increases) and an amount of interest (that decreases as repayments are calculated with a specific formula), triggered a violation of the Italian law provisions on the limitations on the compounding of interest (*divieto di anatocismo*). However, it should be pointed out that these were isolated judgements, still under appeal, and more recently various court rulings on the same matter have declared that the "French amortisation" method does not entail an illegal compounding element. However the Issuer is not able to exclude the risk that in the future other judgments may follow the two isolated decisions described above.

Consumer Credit Legislation

In September 2002, the European Commission published a proposal for a directive of the European Parliament and of the Council on the harmonisation of the laws, regulations and administrative provisions of the Member States concerning credit for consumers and surety agreements entered into by consumers.

There was significant opposition from the European Parliament to the original form of the proposed directive, and to an amended form of the proposed directive published in October 2004. In October 2005, the European Commission published a second revised proposal for the directive.

On 23 April 2009 the European Parliament and the Council issued the 2008/48/EC (the "**Consumer Credit Directive**").

During the course of 2010 Member States have implemented the relevant provisions through law and / or regulations.

On 4 September 2010 the Republic of Italy adopted the Legislative Decree No. 141 of 13 August 2010 published in the Official Gazette No. 207, which was introduced in order to implement the Consumer Credit Directive and on 9 February 2011 the Bank of Italy issued the relevant implementing regulations.

The new legislation covers consumer loans between €200 and €75,000 which are not required to be repaid within a month. It only covers credit contracts, not guarantors and other aspects of credit agreement law. The legislation applies only to loan contracts on which interest is paid, and not products such as deferred payment cards (charge cards) and does not cover the granting of credit secured on land or made to finance the acquisition or retention of property rights.

The legislation provides for the right of withdrawal for the consumers. This right can be exercised within 14 days after the conclusion of the contract or, if later, from the moment the consumer receives all the conditions and contract information; the right to repay early at any time in whole or in part the amount financed, without the application of penalties, a reduction of the total credit amount interest and costs due to residual life of the contract and the ability to suspend the payment of instalments in the event that there is a failure of the supplier of goods and / or services and the financing was granted with that purpose. In this case the consumer has the right to terminate the loan agreement and the contract for supply of goods and / or services.

It is not certain what effect the adoption and implementation of the directive would have on the Issuer (or any Additional Seller(s)) and its respective businesses and operations.

Law no. 3 of 27 January 2012

Law no. 3 of 27 January 2012, published in the Official Gazette of the Republic of Italy no. 24 of 30 January 2012 (the "**Over Indebtedness Law**") has become effective as of 29 February 2012 and introduced a new procedure, by means of which, *inter alia*, debtors who (i) are in a state of over indebtedness (*sovraindebitamento*), and (ii) cannot be subject to bankruptcy proceedings or other insolvency proceedings pursuant to the Italian Bankruptcy Law, may request to enter into a debt restructuring agreement (accordo di ristrutturazione)

with their respective creditors, further provided that (iii) in respect of future proceedings, the relevant debtor has not made recourse to the debt restructuring procedure enacted by the Over Indebtedness Law during the preceding 3 years.

The Over Indebtedness Law provides that the relevant debt restructuring agreement, subject to the relevant court approval, shall entail, *inter alia*(i) the renegotiation of the payments' terms with the relevant creditors; (ii) the full payment of the secured creditors; (iii) the full payment of any other creditors which are not part of the debt restructuring agreement (provided that the payments due to any creditors which have not approved the debt restructuring agreement, including any secured creditors, may be suspended for up to one year); and (iv) the possibility to appoint a trustee for the administration and liquidation of the debtor's assets and the distribution to the creditors of the proceeds of the liquidation.

Should any Debtors enter into such debt restructuring agreement (be it with the Issuer or with any other of its creditors), the Issuer could be subject to the risk of having the payments due by the relevant Debtor suspended for up to one year.

Mortgage Credit Directive

Directive 2014/17/EU of the European Parliament and of the Council of 4 February 2014 on credit agreements for consumers relating to residential immovable property and amending Directives 2008/48/EC and 2013/36/EU and Regulation (EU) No 1093/2010 (the "**Mortgage Credit Directive**") sets out a common framework for certain aspects of the laws, regulations and administrative provisions of the Member States concerning agreements covering credit for consumers secured by a mortgage or otherwise relating to residential immovable property. The Mortgage Credit Directive provides for, amongst other things:

- standard information in advertising, and standard pre-contractual information;
- adequate explanations to the borrower on the proposed credit agreement and any ancillary service;
- calculation of the annual percentage rate of charge in accordance with a prescribed formula;
- assessment of creditworthiness of the borrower;
- a right of the borrower to make early repayment of the credit agreement; and
- prudential and supervisory requirements for credit intermediaries and non-bank lenders.

The Mortgage Credit Directive came into effect on 20 March 2014.

The Mortgage Credit Directive has been implemented in Italy by way of Legislative Decree no. 72 of 21 April 2016 (the "**Legislative Decree 72**"). Following the implementation of the Mortgage Credit Directive, the Consolidated Banking Law has been amended, *inter alia*, through the insertion of the new Article 120 *quinquiesdecies*, pursuant to which a consumer and an entity authorised to grant loans in a professional manner in the Republic of Italy who are parties to a mortgage credit agreement may expressly agree, subject to the provisions of Article 2744 of the Italian Civil Code, that, in case of non-payment of eighteen monthly instalments by the relevant debtor, the property of the debtor subject to security or the

proceeds deriving from the sale thereof can be transferred to the creditor in discharge of all the outstanding obligations of the debtor vis-à-vis the creditor (even if the value of such property or the amount of such proceeds is lower than the residual debt). In the event that the value of the property of the debtor subject to security or amount of the proceeds deriving from the sale thereof is higher than the residual debt, the debtor will be entitled to receive the excess amount. The value of the property shall be determined by an independent expert chosen by the parties, or, if an agreement on the appointment of the expert is not reached between them, by the president of the competent court (*Presidente del Tribunale competente*).

Given the novelty of this new legislation and the absence of any jurisprudential interpretation, no assurance can be given that Legislative Decree 72 will not adversely affect the ability of the Guarantor to make payments under the Guarantee.

SUPPLEMENTS, FINAL TERMS AND FURTHER PROSPECTUSES

The Issuer and the Guarantor have undertaken that, for the duration of the Programme, (i) in the event that a significant new factor, material mistake or inaccuracy relating to the information included in the Prospectus arises or is noted which is capable of affecting the assessment of any Covered Bonds which may be issued under the Programme, and/or (ii) on or before each anniversary of the date of this Prospectus, it shall prepare a supplement to this Prospectus (following consultation with the Joint-Arrangers which will consult with the Dealer(s)) or, as the case may be, publish a replacement Prospectus for use in connection with any subsequent offering of the Covered Bonds and shall supply to each Dealer any number of copies of such supplement as a Dealer may reasonably request.

In addition, the Issuer and the Guarantor may agree with the Dealer(s) to issue Covered Bonds in a form not contemplated in the section entitled "*Form of Final Terms*". To the extent that the information relating to that Series or Tranche of Covered Bonds constitutes a significant new factor in relation to the information contained in this Prospectus, a separate prospectus specific to such Series or Tranche ("**Drawdown Prospectus**") will be made available and will contain such information.

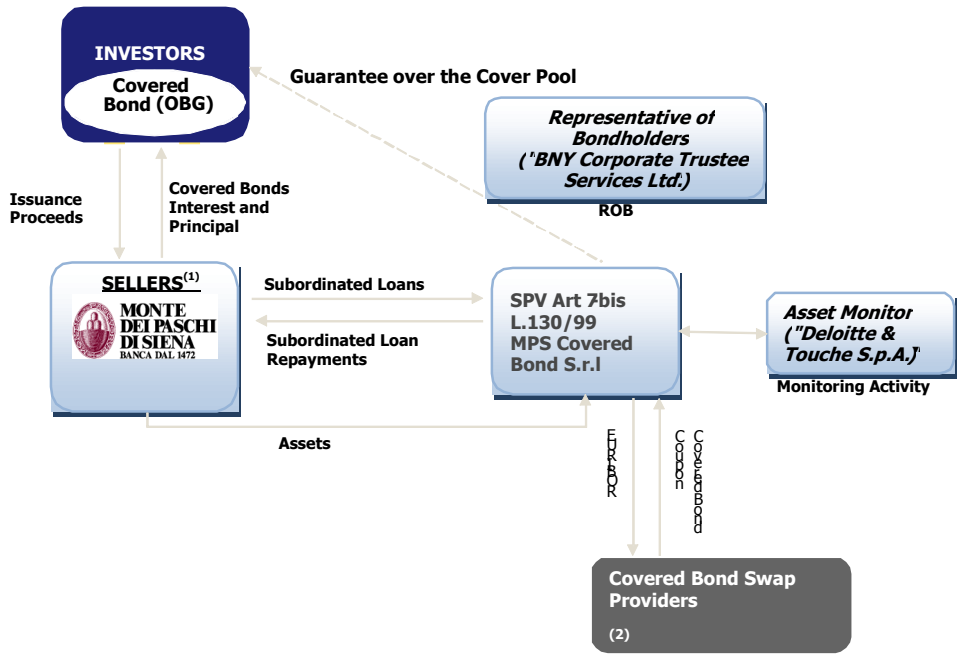
The terms and conditions applicable to any particular Series or Tranche of Covered Bonds will be the conditions set out in the section entitled "*Conditions of the Covered Bonds*", as completed in the relevant Final Terms or amended and/or replaced to the extent described in the Drawdown Prospectus. In the case of a Series or Tranche of Covered Bonds which is the subject of a Drawdown Prospectus, each reference in this Prospectus to information being completed in the relevant Final Terms shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Prospectus unless the context requires otherwise.

Each Drawdown Prospectus will be constituted either (1) by a single document containing the necessary information relating to the Issuer and the Guarantor and the relevant Covered Bonds or (2) by a registration document containing the necessary information relating to the Issuer and/or the Guarantor, a securities note containing the necessary information relating to the relevant Covered Bonds and, if applicable, a summary note.

STRUCTURE OVERVIEW

The information in this section is an overview of the structure relating to the Programme and does not purport to be complete. The information is taken from, and is qualified in its entirety by, the remainder of this Prospectus. Words and expressions defined elsewhere in this Prospectus shall have the same meanings in this overview. An index of certain defined terms used in this document is contained at the end of this Prospectus.

Structure Diagram



Notes:

(1) *Banca Monte dei Paschi di Siena S.p.A. acting as Principal Seller. Additional Seller might be any other bank which is a member of Montepaschi Group and wishes to sell Assets to the Guarantor within the scope of the Programme, subject to satisfaction of certain conditions and which, for such purpose, shall enter into, inter alia, the Master Asset purchase Agreement and any other required Programme document.*

(2) *One or more suitably rated entities for the relevant Series or Tranche of Covered Bonds.*

Structure Overview

- *Programme*: Under the terms of the Programme, the Issuer will issue Covered Bonds to Bondholders on each Issue Date. The Covered Bonds will be direct, unsubordinated, unsecured and unconditional obligations of the Issuer guaranteed by the Guarantor under the Guarantee.

- *Guarantor*: the Guarantor is a corporate entity separate and distinct from the Issuer and maintains corporate records and books of account separate from those of the Issuer. The authorised and issued quota capital of the Guarantor is €10,000.00 and is held by Banca Monte dei Paschi di Siena S.p.A., as to 90 per cent. and SVM Securitisation Vehicles Management S.r.l. as to 10 per cent. The Guarantor has issued no voting securities other than its quotas. For further details, see section "*The Guarantor*" below.

- *Guarantee*: In accordance with the provisions of the Law 130 and Decree No. 310, the Guarantor has provided a first demand, unconditional, autonomous and irrevocable guarantee, for the benefit of the Bondholders in accordance with the Programme Documents, for the purpose of guaranteeing the payments owed by the Issuer to the Bondholders. Under the terms of the Guarantee, the Guarantor has agreed to pay an amount equal to the Guaranteed Amounts when the Guaranteed Amounts become Due for Payment. The obligations of the Guarantor under the Guarantee constitute direct, unconditional, unsubordinated and limited recourse obligations of the Guarantor, collateralised by the Cover Pool as provided under Law 130. The recourse to the Guarantor under the Guarantee will be limited to the Cover Pool. Payments made by the Guarantor under the Guarantee will be made subject to, and in accordance with, the relevant Priority of Payments, as applicable (each as defined below).

- *Subordinated Loan Agreements*: Under the terms of the relevant Subordinated Loan Agreements, the Principal Seller and the Additional Seller(s), in their capacity, respectively, as Principal Subordinated Lender and Additional Subordinated Lender, will from time to time grant to the Guarantor one or more Term Loans in the form of (i) a Programme Term Loan, or (ii) a Floating Interest Term Loan, or (iii) a Fixed Interest Term Loan, for the purposes of funding the payments described in the paragraph headed "*The proceeds of Term Loans*" below. Prior to service of a Breach of Tests Notice or a Guarantee Enforcement Notice, each Term Loan may be repaid by the Guarantor on each Guarantor Payment Date according to the Pre-Issuer Default Principal Priority of Payments within the limits of the then Guarantor Available Funds. Following the service of a Breach of Tests Notice, there shall be no further payments to any Subordinated Lender under any relevant Term Loan(s) as long as a Breach of Tests Cure Notice is delivered in accordance with the Programme Documents (other than where necessary for the purpose of complying with the 15% Limit in accordance with the provisions of Decree 310 and the Bank of Italy Regulations as better specified in the Cover Pool Management Agreement (and to the extent that no purchase of Eligible Assets is possible to this effect in accordance with the provisions of the Master Assets Purchase Agreement and the Cover Pool Management Agreement and/or in compliance with the limits set out in the Bank of Italy Regulations)). Following the service of a Guarantee Enforcement Notice, the Term Loans shall be repaid within the limits of the then Guarantor Available Funds subject to the repayment in full (or, prior to the service of a Guarantor Default Notice, the accumulation of funds sufficient for the purpose of such repayment) of all Covered Bonds. Each Term Loan that has been repaid pursuant to the terms of the Subordinated Loan Agreement will be available for redrawing during the Subordinated Loan Availability Period within the limits of the Total Commitment. Payments by the Issuer of amounts due under the Covered Bonds are not conditional upon receipt by the Issuer of payments from the Guarantor pursuant to the Subordinated Loan Agreement. Amounts owed by the Guarantor under the Subordinated Loan Agreement will be subordinated to amounts owed by the Guarantor under the Guarantee.

- *The proceeds of Term Loans*: Each Programme Term Loan will be granted for the purpose of, *inter alia*, (i) funding the purchase price of the Eligible Assets included in the Initial Portfolio and in any New Portfolios to be transferred to the Guarantor pursuant to the Master Assets Purchase Agreement, and/or (ii) remedying any breach of the Tests and complying with the 15% Limit with respect to the Top-Up Assets, and/or (iii) funding the purchase price of the Eligible Assets and Top-Up Assets to be transferred to the Guarantor pursuant to the Master Assets Purchase Agreement for

overcollateralization purposes and/or (iv) funding the redemption of a Floating Interest Term Loan or Fixed Interest Term Loan at the Maturity Date (or Extended Maturity Date, if applicable) of the Corresponding Series or Tranche of Covered Bonds.

Each Floating Interest Term Loan or Fixed Interest Term Loan will be granted for the purpose of, *inter alia*, (i) funding the purchase price of the Eligible Assets included in any New Portfolios to be transferred to the Guarantor in connection with the issue of a Corresponding Series or Tranche of Covered Bonds to be issued under the Programme, and/or (ii) reimbursing (also in part) any Term Loan for an amount equal to the Corresponding Series or Tranche of Covered Bonds.

- *Cashflows*: Prior to service of a Guarantee Enforcement Notice on the Guarantor and provided that no Breach of Tests Notice has been served and has not been revoked through the delivery of a Breach of Tests Cure Notice, the Guarantor will:

    - apply Interest Available Funds to pay interest and/or Premium on the relevant Term Loans, but only after payment of certain items ranking higher in the Pre-Issuer Default Interest Priority of Payments (including, but not limited to, certain expenses and any amount due and payable under the Swap Agreements). For further details of the Pre-Issuer Default Interest Priority of Payments, see "*Cashflows*" below; and

    - apply Principal Available Funds towards repaying Term Loans but only after payment of certain items ranking higher in the relevant Pre-Issuer Default Principal Priority of Payments. For further details of the Pre-Issuer Default Principal Priority of Payments, see "*Cashflows*" below.

  After the service of a Breach of Tests Notice, payments due under the Covered Bonds will continue to be made by the Issuer until a Guarantee Enforcement Notice has been delivered, and the Guarantor will make payments in accordance with the Pre-Issuer Default Interest Priority of Payments and the Pre-Issuer Default Principal Priority of Payments, provided that there shall be no further payments (whether of interest or principal) to a Subordinated Lender under any relevant Term Loan and the purchase price for any Eligible Assets or Top-Up Assets to be acquired by the Guarantor shall be paid only by using the proceeds of a Term Loan.

  Following service on the Issuer and on the Guarantor of a Guarantee Enforcement Notice (but prior to a Guarantor Event of Default and service of a Guarantor Default Notice on the Guarantor) the Guarantor will use all Guarantor Available Funds to pay Guaranteed Amounts when the same shall become Due for Payment, subject to paying certain higher ranking obligations of the Guarantor in the Guarantee Priority of Payments. In such circumstances, the Principal Seller and the Additional Seller(s), will only be entitled to receive payment from the Guarantor of interest, Premium (if any) and repayment of principal under the relevant Term Loans after all amounts due under the Guarantee in respect of the Covered Bonds have been paid in full or have otherwise been provided for.

  Following the occurrence of a Guarantor Event of Default and service of a Guarantor Default Notice on the Guarantor, the Covered Bonds will become immediately due and repayable at their Early Termination Amount and the Representative of the Bondholders, on behalf of the Bondholders, shall have a claim against the Guarantor under the Guarantee for an amount equal to the Early Termination Amounts, together with accrued

interest and any other amount due under the Covered Bonds (other than additional amounts payable as gross up) and any Guarantor Available Funds will be distributed according to the Post-Enforcement Priority of Payments, as to which see section "*Cashflows*" below.

- *Mandatory Tests*: The Programme provides that the Assets of the Guarantor are subject to certain tests intended to ensure that the Guarantor can meet its obligations under the Guarantee as set out under article 3 of Decree No. 310 and to demonstrate their capacity to service any payments due and payable under the Covered Bonds upon enforcement of the Guarantee. Accordingly, until the delivery of a Guarantee Enforcement Notice, the Issuer, the Principal Seller, the Additional Seller(s), and in any case the Issuer, must always ensure that the following tests are satisfied on each Quarterly Test Calculation Date:

    - *Nominal Value Test*: the aggregate Outstanding Principal Balance of the Cover Pool shall be higher than or equal to the Principal Amount Outstanding of all Series or Tranche of Covered Bonds issued under the Programme and not cancelled or redeemed in full in accordance with their Conditions as at the relevant Test Calculation Date, provided that, prior to the delivery of a Guarantee Enforcement Notice, such test will always be deemed met to the extent that the Asset Coverage Test (as defined below) is met as of the relevant Quarterly Test Calculation Date;

    - *Net Present Value Test*: the Net Present Value Test is intended to ensure that the net present value of the Cover Pool (including the payments of any nature expected to be received by the Guarantor with respect to any Swap Agreement), net of the transaction costs to be borne by the Guarantor (including the payments of any nature expected to be borne or due with respect to any Swap Agreement) shall be higher than or equal to the net present value of all Series or Tranche of Covered Bonds issued under the Programme and not cancelled or redeemed in full in accordance with their Conditions as at the relevant Quarterly Test Calculation Date;

    - *Interest Coverage Test*: the Interest Coverage Test is intended to ensure that the amount of interest and other revenues generated by the assets included in the Cover Pool, (including the payments of any nature expected to be received by the Guarantor with respect to any Swap Agreement) net of the costs borne by the Guarantor (including the payments of any nature expected to be borne or due with respect to any Swap Agreement), shall be higher than the amount of interest due on all Series or Tranche of Covered Bonds issued under the Programme and not cancelled or redeemed in full in accordance with their Conditions as at the relevant Quarterly Test Calculation Date.

    For a more detailed description, see section "Credit structure - Tests" below.

- *Asset Coverage Test*: In addition to the Mandatory Tests, the Programme provides that until the delivery of a Guarantee Enforcement Notice, the Issuer, the Principal Seller, any Additional Seller(s), and in any case the Issuer, must always ensure the Asset Coverage Test is satisfied on each Test Calculation Date. The Asset Coverage Test is intended to ensure that on the relevant Test Calculation Date, the Adjusted Aggregate Asset Amount (as defined in section "*Credit Structure*" below) is at least equal to the aggregate

Principal Amount Outstanding of the Covered Bonds. The Adjusted Aggregate Asset Amount is the amount calculated pursuant to the formula set out in the Cover Pool Management Agreement. For a more detailed description, see section "*Credit structure - Tests*" below.

- *Amortisation Test*: Following the delivery of a Guarantee Enforcement Notice, the Amortisation Test is intended to ensure that, on each Test Calculation Date, the outstanding principal balance of the Cover Pool (which for such purpose is considered as an amount equal to the Amortisation Test Aggregate Asset Amount (as defined in section "*Credit structure - Tests*" below)) is higher than or equal to the Euro Equivalent of the Principal Amount Outstanding of all Series or Tranche of Covered Bonds issued under the Programme and not cancelled or redeemed in full in accordance with their Conditions at the relevant Test Calculation Date. For a more detailed description, see section "*Credit structure - Tests*" below.

- *Extendable obligations under the Guarantee*: If the Issuer fails to pay (in whole or in part) the Final Redemption Amount in respect of a Series or Tranche of Covered Bonds on the applicable Maturity Date and the Guaranteed Amounts equal to the Final Redemption Amount of the relevant Series or Tranche of Covered Bonds are not paid in full by the Guarantor on or before the Extension Determination Date (for example, because following the service of a Guarantee Enforcement Notice on the Guarantor the Guarantor has or will have insufficient moneys available in accordance with the Guarantee Priority of Payments to pay in full the Guaranteed Amounts corresponding to the Final Redemption Amount of the relevant Series or Tranche of Covered Bonds), then the relevant Series or Tranche of Covered Bonds shall become a Pass Through Series and payment of the unpaid amount pursuant to the Guarantee shall be automatically deferred until the Extended Maturity Date specified in the relevant Final Terms. However, any amount representing the Final Redemption Amount (as defined below) due and remaining unpaid on the Extension Determination Date may be paid by the Guarantor on any Guarantor Payment Date thereafter, up to (and including) the relevant Extended Maturity Date in accordance with the applicable Priority of Payments. Interest will continue to accrue on any unpaid amount during such extended period and be payable on each Guarantor Payment Date up to the Extended Maturity Date for such Pass Through Series in accordance with Condition 8 (*Redemption and Purchase*).

- *Servicing*: Banca Monte dei Paschi di Siena S.p.A. (in its capacity as Principal Servicer) has entered into the Master Servicing Agreement with the Guarantor, pursuant to which (i) the Principal Servicer has agreed to provide administrative services in respect of the Mortgage Loans and to act as the *soggetto incaricato della riscossione dei crediti ceduti e dei servizi di cassa e di pagamento* pursuant to article 2, sub-paragraph 3, of Law 130, (ii) the parties thereto agreed that, should any Additional Seller(s) enter into the Programme, such Additional Seller will be appointed as Additional Servicer for the administration, management, collection and recovery activities relating to the Assets from time to time assigned by it to the Guarantor; and (iii) the Guarantor has appointed a Back-up Servicer Facilitator who used its best effort to identify an entity suitable to act as Back-Up Servicer upon the rating of the Principal Servicer's long term unguaranteed, unsubordinated and unsecured obligation fell below Baa3 by Moody's. For further details, see sections "*Issuer, Principal Seller, Principal Servicer, Italian Account Bank, Pre-Issuer Default Test Calculation Agent and Principal Subordinated Lender"* and "*Credit and Collection Policy"* below.

- *Asset Monitor Engagement Letter*: Pursuant to an engagement letter entered into on 18 June 2010, the Issuer has appointed the Asset Monitor in order to perform, subject to receipt of the relevant information from the Issuer, specific monitoring activities concerning, *inter alia*, the control of (i) the fulfilment of the eligibility criteria set out under Decree No. 310 with respect to the Eligible Assets and Top-Up Assets included in the Cover Pool; (ii) the calculation performed by the Issuer in respect of the Mandatory Tests; (iii) the compliance with the limits to the transfer of the Eligible Assets set out under Decree No. 310; and (iv) the effectiveness and adequacy of the risk protection provided by any Swap Agreement entered into in the context of the Programme.

- *Asset Monitor Agreement*: Pursuant to the Asset Monitor Agreement, (i) the Issuer has appointed the Asset Monitor to perform, prior to the delivery of a Guarantee Enforcement Notice, certain verification activities with respect to the Mandatory Tests and the Asset Coverage Test and (ii) the Guarantor has appointed the Asset Monitor to perform, following the delivery of a Guarantee Enforcement Notice, certain verification activities with respect to the Amortisation Test and carry out certain monitoring and reporting services with respect to the Cover Pool in accordance with the terms provided in the Asset Monitor Agreement.

- *Further Information*: For a more detailed description of the transactions summarised above relating to the Covered Bonds, see, amongst other relevant sections of this Prospectus, "*Overview of the Programme*", "*Conditions of the Covered Bonds*", "*Description of the Programme Documents*", "*Credit Structure*", and "*Cashflows*", below.

GENERAL DESCRIPTION OF THE PROGRAMME

This section constitutes a general description of the Programme for the purposes of Article 22(5) of Commission Regulation (EC) No. 809/2004. The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Prospectus and, in relation to the terms and conditions of any particular Series or Tranche of Covered Bonds, the applicable Final Terms. Words and expressions defined elsewhere in this Prospectus shall have the same meaning in this overview.

PARTIES

Issuer

Banca Monte dei Paschi di Siena S.p.A. a bank operating in Italy as a joint stock company (*società per azioni*), having its registered office at Piazza Salimbeni, 3, 53100 Siena, Italy, fiscal code and enrolment with the companies register of Siena number 00884060526 and enrolled under number 5274 in the register of banks held by the Bank of Italy pursuant to article 13 of the Consolidated Banking Act ("**BMPS**" or the "**Issuer**").

For a more detailed description of the Issuer, see section "*Issuer, Principal Seller, Principal Servicer, Italian Account Bank, Pre-Issuer Default Test Calculation Agent and Principal Subordinated Lender*".

Guarantor

MPS Covered Bond S.r.l., a special purpose entity incorporated as limited liability company (*società a responsabilità limitata*) under the laws of Italy pursuant to article 7-*bis* of Law 130, having its registered office at Via V. Alfieri 1, 31015, Conegliano (TV), Italy, fiscal code and enrolment with the companies register of Treviso No. 04323680266, enrolled under number 41746 in the general register held by the Bank of Italy pursuant to article 106 of the Consolidated Banking Act and part of the Montepaschi Group and subject to guidance and coordination of Banca Monte dei Paschi di Siena S.p.A, having as its sole purpose the ownership of the Cover Pool and the granting to holders of the Covered bonds of the Guarantee (the "**Guarantor**").

For a more detailed description of the Guarantor, see section "*The Guarantor*".

Principal Seller

BMPS, pursuant to the terms of the Master Assets Purchase Agreement. For a more detailed description of BMPS, see section "*Issuer, Principal Seller, Principal Servicer, Italian Account Bank, Pre-Issuer Default Test Calculation Agent and Principal Subordinated Lender*".

Additional Seller(s)	Any other bank which is a member of the Montepaschi Group and wishes to sell Assets to the Guarantor within the scope of the Programme, subject to satisfaction of certain conditions and which, for such purpose, shall enter into, *inter alia*, the Master Assets Purchase Agreement with the Guarantor and any other Programme Document. On 27 May 2011, Banca Antonveneta S.p.A ("**BAV**") acceded to the Master Assets Purchase Agreement and to the Programme in the capacity as Additional Seller. Following the merger by way of incorporation of BAV in BMPS with effect as of 28 April 2013 (the "**Merger**"), BMPS assumed all rights and obligations of BAV in the capacity as Additional Seller under the Programme and any reference to BAV in the Programme Documents shall be deemed to be referred to BMPS, which takes over any and all activities and roles previously carried out by BAV.
Principal Servicer	Pursuant to the terms of the Master Servicing Agreement, BMPS will act as Principal Servicer. For a more detailed description of the Principal Servicer, see section "*Issuer, Principal Seller, Principal Servicer, Italian Account Bank, Pre-Issuer Default Test Calculation Agent and Principal Subordinated Lender*".
Additional Servicer(s)	Any Additional Seller that, subject to satisfaction of certain conditions, wishes to act as Additional Servicer for the administration, management and collection activities relating to the Eligible Assets from time to time assigned by it to the Guarantor and, for such purpose, has acceded to the Master Servicing Agreement. On 27 May 2011, BAV acceded to the Master Servicing Agreement and to the Programme in the capacity as Additional Servicer. Following the Merger, BMPS assumed all rights and obligations of BAV in the capacity as Additional Servicer under the Programme and any reference to BAV in the Programme Documents shall be deemed to be referred to BMPS, which takes over any and all activities and roles previously carried out by BAV.
Back-Up Servicer Facilitator	Securitisation Services S.p.A., a company incorporated under the laws of the Republic of Italy as società per azioni, having its registered office at Via Vittorio Alfieri 1, 31015 Conegliano (TV), Italy, fiscal code and enrolment with the companies register of Treviso number 03546510268, enrolled under number 31816 in the *elenco generale* held by the Bank of Italy pursuant to article 106 of the Consolidated Banking Act, subject to direction and coordination activities

	(*soggetta all'attività di direzione e coordinamento*) of Banca Finanziaria Internazionale S.p.A., further to its accession to the Master Servicing Agreement and to the Programme on 3 April 2012.
Back-up Servicer	Securitisation Services S.p.A. or any eligible counterparty appointed upon downgrading of the Servicer below "Baa3" by Moody's, "BBB-" Fitch and BBB(low) by DBRS, pursuant to the Servicing Agreement.
Principal Subordinated Lender	BMPS, pursuant to the Subordinated Loan Agreement. For a more detailed description of the Principal Subordinated Lender, see section "*Issuer, Principal Seller, Principal Servicer, Italian Account Bank, Pre-Issuer Default Test Calculation Agent and Principal Subordinated Lender*".
Additional Subordinated Lender(s)	Each Additional Seller will act as Subordinated Lender in respect of the Assets transferred by itself to the Guarantor. On 27 May 2011, BAV became a Subordinated Lender following the execution of a Subordinated Loan Agreement with the Guarantor. Following the Merger, BMPS assumed all rights and obligations of BAV in the capacity as Additional Subordinated Lender under the Programme and any reference to BAV in the Programme Documents shall be deemed to be referred to BMPS, which takes over any and all activities and roles previously carried out by BAV.
Cash Manager	Pursuant to the Cash Allocation, Management and Payments Agreement, Banca Monte dei Paschi di Siena S.p.A., acting through its London branch.
Principal Paying Agent	The Bank of New York Mellon (Luxembourg) S.A., Italian Branch, a bank incorporated under the laws of Grand Duchy of Luxembourg, having its registered office at Vertigo Building - Polaris – 2-4 rue Eugène Ruppert - L-2453, Luxembourg, Grand Duchy of Luxembourg, acting through its Milan branch with offices at Diamantino Building – 5th Floor - via Mike Bongiorno 13, 20124 Milan, Italy, fiscal code and enrolment with the companies register of Milan number 05694250969 and registered with the register held by the Bank of Italy pursuant to article 13 of the Consolidated Banking Act as a "*filiale di banca estera*" under number 5662 and with ABI code 3351.4.
Guarantor Calculation Agent	Securitisation Services S.p.A.

Test Calculation Agent	Prior to an Issuer Event of Default, Banca Monte dei Paschi di Siena S.p.A., in its capacity as Pre-Issuer Default Test Calculation Agent and, after an Issuer Event of Default, the Guarantor Calculation Agent, which will act in its capacity as Post-Issuer Default Test Calculation Agent.
Pre-Issuer Default Test Calculation Agent	Banca Monte dei Paschi di Siena S.p.A.
Post-Issuer Default Test Calculation Agent	Securitisation Services S.p.A.
Italian Account Bank	Banca Monte dei Paschi di Siena S.p.A. subject to it being an Eligible Institution. As at the date of this Prospectus, the Italian Back-Up Account Bank has succeeded to Banca Monte dei Paschi di Siena S.p.A., and is acting in the capacity of Italian Account Bank pursuant to the provisions of the Cash Allocation Management and Payments Agreement.
Payments Account Bank	The Bank of New York Mellon (Luxembourg) S.A., Italian Branch, subject to it being an Eligible Institution.
Italian Back-Up Account Bank	The Bank of New York Mellon (Luxembourg) S.A., Italian Branch, subject to it being an Eligible Institution.
English Back-Up Account Bank	The Bank of New York Mellon S.A./N.V., London Branch, a public limited liability credit institution incorporated under the laws of Belgium with company number 0806.743.159, having its registered office at 46 Rue Montoyerstraat, B-1000 Brussels, Belgium, acting through its London branch with offices at 160 Queen Victoria Street, London EC4V 4LA, United Kingdom, subject to it being an Eligible Institution.
English Account Bank	Banca Monte dei Paschi di Siena S.p.A., acting through its London branch, with offices at 6th floor, Capital House 85, King William Street, London EC4N 7BL, United Kingdom, subject to it being an Eligible Institution. As at the date of this Prospectus, the English Back-Up Account Bank has succeeded to Banca Monte dei Paschi di Siena S.p.A., London branch, and is acting in the capacity of English Account Bank pursuant to the provisions of the English Account Bank Agreement.
Asset Monitor	Deloitte & Touche S.p.A. a company incorporated under the laws of Italy, enrolled with the Companies' Register of Milan under number 03049560166 and with the special register of accounting firms held by the CONSOB pursuant

	to the Consolidated Finance Act, having its registered office at via Tortona 25, 20144 Milan, Italy.
Asset Swap Provider(s)	No Asset Swap Provider has been appointed as of the date of this Prospectus.
Covered Bond Swap Providers	One or more suitably rated entities as may be appointed for each Series or Tranche of Covered Bonds.
Guarantor Corporate Servicer	Securitisation Services S.p.A.
Guarantor Quotaholders	Banca Monte dei Paschi di Siena S.p.A. and SVM Securitisation Vehicles Management S.r.l. a company incorporated under the laws of Italy as *società per azioni con socio unico*, having its registered office at Via Vittorio Alfieri 1, 31015, Conegliano (TV), Italy, fiscal code and enrolment with the companies register of Treviso No. 03546510268 and subject to guidance and coordination of Finanziaria Internazionale Holding S.p.A..
Representative of the Bondholders	BNY Mellon Corporate Trustee Services Limited, a limited liability company incorporated under the laws of England and Wales, having its registered office at One Canada Square, London E14 5AL, United Kingdom.
Luxembourg Listing and Paying Agent	The Bank of New York Mellon (Luxembourg) S.A., a bank incorporated under the laws of Grand Duchy of Luxembourg, having its registered office at Vertigo Building - Polaris – 2-4 rue Eugène Ruppert - L-2453, Luxembourg.
Joint-Arrangers	BMPS Morgan Stanley & Co. International plc, a public limited company incorporated under the laws of England, acting through its branch at 25 Cabot Square, Canary Wharf, London E14 4QA, United Kingdom; and The Royal Bank of Scotland plc, a public limited company incorporated under the laws of England, acting through its branch at 135 Bishopsgate, London EC2M 3UR, United Kingdom.

Dealer(s)	Morgan Stanley & Co. International plc, a public limited company incorporated under the laws of England, acting through its branch at 25 Cabot Square, Canary Wharf, London E14 4QA, United Kingdom; MPS Capital Services Banca per l'Impresa S.p.A., a joint stock company (*società per azioni*) incorporated under the laws of the Republic of Italy, having its registered office at Via Pancaldo, 4, 50127 Firenze, Italy, fiscal code and enrolment with the companies register of Firenze number 00816350482; The Royal Bank of Scotland plc, a public limited company incorporated under the laws of England, acting through its branch at 135 Bishopsgate, London EC2M 3UR, United Kingdom; and any other Dealer(s) appointed in accordance with the Programme Agreement.

THE PROGRAMME

Programme description	Under the terms of the Programme, the Issuer has issued and will issue Covered Bonds (*Obbligazioni Bancarie Garantite*) to Bondholders on each Issue Date. The Covered Bonds will be direct, unsubordinated, unsecured and unconditional obligations of the Issuer guaranteed by the Guarantor under the Guarantee.
Programme Limit	The aggregate nominal amount of the Covered Bonds at any time outstanding will not exceed Euro 10,000,000,000 (or its equivalent in other currencies to be calculated as described in the Programme Agreement subject to any increase thereof). The Issuer may however increase the aggregate nominal amount of the Programme in accordance with the Programme Documents.

THE COVERED BONDS

Form of Covered Bonds	Unless otherwise specified in the relevant Terms and Conditions and Final Terms, the Covered Bonds will be issued in bearer and dematerialised form and held on behalf of their ultimate owners by Monte Titoli for the account of Monte Titoli Account Holders and title thereto will be evidenced by book entries. Monte Titoli will act as depository for Euroclear and Clearstream. No physical document of title will be issued in respect of any such bearer and dematerialised Covered Bonds.
Denomination of Covered Bonds	The Covered Bonds will be issued in such denominations as may be specified in the relevant Final Terms, subject to compliance with all applicable legal and/or regulatory and/or

	central bank requirements and save that the minimum denomination of each Covered Bond admitted to trading on a regulated market within the European Economic Area or offered to the public in a member state of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive will be €100,000 (or where the relevant Series or Tranche is denominated in a currency other than euro, the equivalent amount in such other currency).
Status of the Covered Bonds	The Covered Bonds will constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer and will rank *pari passu* without preference among themselves and (save for any applicable statutory provisions) at least equally with all other present and future unsecured and unsubordinated obligations of the Issuer from time to time outstanding.
Specified Currency	Subject to any applicable legal or regulatory restrictions, each Series or Tranche of Covered Bonds will be issued in such currency or currencies as may be agreed from time to time by the Issuer, the relevant Dealer(s), the Principal Paying Agent and the Representative of the Bondholders, subject to prior notice to the Rating Agencies (as set out in the applicable Final Terms) subject to compliance with all applicable legal, regulatory and/or central bank requirements.
Maturities	The Covered Bonds will have such Maturity Date as may be agreed between the Issuer and the relevant Dealer(s) and indicated in the applicable Final Terms, subject to such minimum or maximum maturities as may be allowed or required from time to time by any relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.
Redemption	The applicable Final Terms relating to each Series or Tranche of Covered Bonds will indicate either that the Covered Bonds of such Series or Tranche of Covered Bonds cannot be redeemed prior to their stated maturity (other than in specified instalments if applicable, or for taxation reasons or if it becomes unlawful for any Covered Bond to remain outstanding or following a Guarantor Event of Default) or that such Covered Bonds will be redeemable at the option of the Issuer upon giving notice to the Bondholders on a date or dates specified prior to the specified Maturity Date and at a price and on other terms as may be agreed between the Issuer and the Dealer(s) as set out in the applicable Final Terms. The applicable Final Terms may provide that the Covered

Bonds may be redeemable in two or more instalments of such amounts and on the dates indicated in the Final Terms. For further details, see Condition 8 (*Redemption and purchase*).

Redemption at the option of Bondholders

If the relevant Final Terms of the Covered Bonds provide for a put option to be exercised by the Bondholders prior to an Issuer Event of Default, the Issuer shall, at the option of any Bondholder, redeem such Covered Bonds held by it on the date which is specified in the relevant put option notice at a price (including any interest (if any) accrued to such date) and on other terms as may specified in, and determined in accordance with, the relevant Final Terms.

Extended Maturity Date and Pass Through Series

The applicable Final Terms relating to each Series or Tranche of Covered Bonds issued will indicate, in the interest of the Guarantor, that the Guarantor's obligations under the Guarantee to pay Guaranteed Amounts equal to the Final Redemption Amount of the applicable Series or Tranche of Covered Bonds on their Maturity Date may be deferred until the Extended Maturity Date. The deferral will occur automatically **(A)** in respect of a Series of Covered Bonds (each such Series, a "**Pass Through Series**") if (i) a Guarantee Enforcement Notice has been delivered, the Issuer having failed to pay the Final Redemption Amount on the Maturity Date for such Series or Tranche of Covered Bonds and (ii) the Guarantor determines on the Extension Determination Date that it has insufficient funds to pay the Final Redemption Amount in respect of the relevant Series or Tranche of Covered Bonds; and **(B)** in respect to all Series of Covered Bonds, which all become Pass Through Series if at any time a Guarantee Enforcement Notice has been delivered (and, in case of a Guarantee Enforcement Notice delivered as result of an Article 74 Event, prior to the delivery of an Article 74 Event Cure Notice) and the Amortisation Test is breached.

Payment of all unpaid amounts shall be deferred automatically until the applicable Extended Maturity Date, provided that any amount representing the Final Redemption Amount due and remaining unpaid on the Maturity Date in respect of the relevant Pass Through Series may be paid, in accordance with the Guarantee Priority of Payments, by the Guarantor on any Guarantor Payment Date starting from the Extension Determination Date, up to (and including) the relevant Extended Maturity Date for such Pass Through Series.

The Guarantor will be obliged to (A) apply on each Guarantor Payment Date any Guarantor Available Funds towards redemption in full of all Pass Through Series in

	accordance with the Guarantee Priority of Payments; and (B) use its best efforts to sell, in accordance with the provisions of the Cover Pool Management Agreement, Selected Assets, on a semi-annual basis, for an amount as close as possible to (i) the amount necessary to redeem in full the Pass Through Series, plus (ii) any interest amount due on any Series or Pass Through Series of Covered Bonds, minus (iii) any amount standing to the credit of the Programme Accounts. For the avoidance of doubt, failure by the Guarantor to sell Selected Assets in the Portfolio in accordance with the Cover Pool Management Agreement shall not constitute a Guarantor Event of Default. Interest will continue to accrue and be payable on the unpaid amount (to the extent permitted by Italian law) up to the Extended Maturity Date, subject to and in accordance with the provisions of the relevant Final Terms. For further details, see Condition 8 (*Redemption and Purchase*).
Issue Price	Covered Bonds may be issued at par or at a premium or discount to par on a fully-paid or partly-paid basis.
Interest	Covered Bonds may be interest bearing or non interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate and the method of calculating interest may vary between the Issue Date and the Maturity Date of the relevant Series or Tranche. Covered Bonds may also have a maximum rate of interest, a minimum rate of interest or both (as indicated in the applicable Final Terms). Interest on Covered Bonds in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer(s), will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, in each case as may be agreed between the Issuer and the relevant Dealer(s). Any series of Covered Bonds becoming a Pass Through Series will accrue the interest rate provided under the relevant Final Terms for the period from the Maturity Date to the Extension Maturity Date.
Fixed Rate Covered Bonds	Fixed Rate Covered Bonds will bear interest at a fixed rate, which will be payable on the date or dates as may be agreed between the Issuer and the relevant Dealer(s) and on redemption and will be calculated on the basis of such day count fraction as may be agreed between the Issuer and the relevant Dealer(s) (as set out in the applicable Final Terms).

Floating Rate Covered Bonds	Floating Rate Covered Bonds will bear interest at a rate determined: (a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the ISDA Definitions; or (b) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or in each case, as set out in the applicable Final Terms. The Margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer(s) for each issue of Floating Rate Covered Bonds, as set out in the applicable Final Terms.
Zero Coupon Covered Bonds	Zero Coupon Covered Bonds, bearing no interest, may be offered and sold at a discount to their nominal amount, as specified in the applicable Final Terms.
Amortising Covered Bonds	Covered Bonds may be issued with a predefined, prescheduled amortisation schedule where, in addition to interest, the Issuer will pay, on each relevant Interest Payment Date, a portion of principal up to the relevant Maturity Date (as set out in the applicable Final Terms) in instalments.
Taxation	All payments in relation to Covered Bonds will be made without tax deduction or withholding except where required by law. If any tax deduction is made, the Issuer shall be required to pay additional amounts in respect of the amounts so deducted or withheld, subject to a number of exceptions including deductions on account of Italian substitute tax pursuant to Decree 239. Under the Guarantee, the Guarantor will not be liable to pay any such additional amounts to any Bondholders in respect of the amount of such withholding or deduction. For further details, see Condition 10 (*Taxation*).
Cross default provisions	Each Series or Tranche of Covered Bonds will cross accelerate as against each other Series or Tranches, but will not otherwise contain a cross default provision. Accordingly, neither an event of default under any other indebtedness of the Issuer (including other debt securities of the Issuer) nor any acceleration of such indebtedness will of itself give rise to an Issuer Event of Default (except where such events

constitute an Insolvency Event in respect of the Issuer).

In addition, an Issuer Event of Default will not automatically give rise to a Guarantor Event of Default, provided however that, where a Guarantor Event of Default occurs and the Representative of the Bondholders serves a Guarantor Default Notice upon the Guarantor, such Guarantor Default Notice will accelerate each Series or Tranche of outstanding Covered Bonds issued under the Programme.

For further details, see Condition 11 (*Segregation Event and Events of Default*).

Notice to the Rating Agencies

The issue of any Series or Tranche of Covered Bond (including, for the avoidance of doubt, Fixed Rate Covered Bonds, Floating Rate Covered Bonds, Zero Coupon Covered Bonds and Amortisation Covered Bonds) in each case as specified in the applicable Final Terms shall be subject to prior notice to the Rating Agencies.

Listing and admission to trading

Application has been made for Covered Bonds issued under the Programme during the period of 12 months from the date of this Prospectus to be admitted to the official list and to trading on the regulated market of the Luxembourg Stock Exchange. The Programme also permits Covered Bonds to be issued on the basis that (i) they will be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer or (ii) they will not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system.

Issue Ratings

Each Series or Tranche of Covered Bonds may or may not be assigned a rating by one or more Rating Agencies. Each Series or Tranche of Covered Bonds, if rated, is expected to be assigned the following ratings on the relevant Issue Date unless otherwise stated in the applicable Final Terms:

Moody's	Fitch	DBRS
A2	BBB	A (high) UR with Negative Implication

The issuance of any Series or Tranche of Covered Bonds (including any unrated Covered Bonds) shall be subject to prior notice to the Rating Agencies.

Governing Law

The Covered Bonds and the related Programme Documents will be governed by Italian law, except for the Swap Agreements, the Deed of Charge and the English Account

Bank Agreement which will be governed by English law.

SEGREGATION EVENTS, ISSUER EVENTS OF DEFAULT AND GUARANTOR EVENTS OF DEFAULT

Segregation Events

A Segregation Event will occur upon the notification by the relevant Test Calculation Agent that:

(i) a breach of one of the Mandatory Tests on the relevant Quarterly Test Calculation Date; and/or

(ii) prior to the delivery of a Guarantee Enforcement Notice, a breach of the Asset Coverage Test on the relevant Test Calculation Date,

has not been remedied within the applicable Test Grace Period.

Upon the occurrence of a Segregation Event, the Representative of the Bondholders will serve notice (the "**Breach of Tests Notice**") on the Issuer and the Guarantor that a Segregation Event has occurred.

In such case:

(a) no further Series or Tranche of Covered Bonds may be issued by the Issuer;

(b) there shall be no further payments to the Subordinated Lender under any relevant Term Loan, other than where necessary for the purpose of complying with the 15% Limit in accordance with the provisions of Decree 310 and the Bank of Italy Regulations as better specified in the Cover Pool Management Agreement (and to the extent that no purchase of Eligible Assets is possible to this effect in accordance with the provisions of the Master Assets Purchase Agreement and the Cover Pool Management Agreement and/or in compliance with the limits set out in the Bank of Italy Regulations);

(c) the purchase price for any Eligible Assets or Top-Up Assets to be acquired by the Guarantor shall be paid using the proceeds of a Term Loan or, with respect to Eligible Assets only, to the extent necessary to comply with the 15% Limit in accordance with the provisions of Decree 310 and the Bank of Italy Regulations as better specified in the Cover Pool Management Agreement, the Guarantor Available Funds; and

(d) payments due under the Covered Bonds will continue to be made by the Issuer until a Guarantee Enforcement Notice has been delivered.

If the relevant Test(s) is/are met within the Test Remedy Period, the Representative of the Bondholders will promptly deliver to the Issuer, the Guarantor and the Asset Monitor a notice informing such parties that the Breach of Tests Notice then outstanding has been revoked (the "**Breach of Tests Cure Notice**").

For further details, see section "*Description of the Programme Documents - Cover Pool Management Agreement*".

Issuer Events of Default

An Issuer Event of Default will occur if:

(i) *Non-payment (also as a result of claw-back)*: the Issuer fails to pay any amount of interest and/or principal due and payable on any Series or Tranche of Covered Bonds and such breach is not remedied within 15 calendar days, in case of amounts of interest, or 7 calendar days (other than in case of non-payment as at the Maturity Date), in case of amounts of principal, as the case may be;

(ii) *Breach of obligation (other than non-payment)*: a material breach by the Issuer of any obligation under the Programme Documents occurs and such breach is not remedied within 30 calendar days after the Representative of the Bondholders has given written notice thereof to the Issuer; or

(iii) *Insolvency*: an Insolvency Event occurs in respect of the Issuer;

(iv) *Article 74 Event*: a resolution pursuant to Article 74 of the Consolidated Banking Act is issued in respect of the Issuer;

(v) *Cessation of business*: a Cessation of Business occurs in respect of the Issuer; or

(vi) *Breach of Tests*: following the delivery of a Breach of Tests Notice, one of the relevant Tests is not met on, or prior to, the Test Calculation Date falling at the end of the Test Remedy Period unless a resolution of the Bondholders is passed resolving to extend the Test Remedy Period.

If any of the events set out in points (i), (iii) - to the extent

that it is an Insolvency Event consisting in a procedure of *liquidazione coatta amministrativa* of the Issuer - , (iv) or (vi) above occurs and is continuing, then the Representative of the Bondholders shall serve to the Issuer and the Guarantor a notice to demand payments under the Guarantee (a "**Guarantee Enforcement Notice**"), specifying in case of the Issuer Event of Default referred to under item (iv) above, that the Issuer Event of Default may be temporary and the relevant Guarantee Enforcement Notice may be revoked accordingly.

Upon the service of a Guarantee Enforcement Notice:

(a) no further Series or Tranche of Covered Bonds may be issued by the Issuer;

(b) there shall be no further payments to the Subordinated Lender under any relevant Term Loan;

(c) the purchase price for any Eligible Assets or Top-Up Assets to be acquired by the Guarantor shall be paid using the proceeds of a Term Loan;

(d) *Guarantee*: (i) interest and principal falling due on the Covered Bonds will be payable by the Guarantor at the time and in the manner provided under the Conditions and the Final Terms of the relevant Series or Tranche of Covered Bonds, subject to and in accordance with the terms of the Guarantee and the Guarantee Priority of Payment; then (ii) the Guarantor (or the Representative of the Bondholders pursuant to the Intercreditor Agreement) shall be entitled to request from the Issuer an amount up to the Guaranteed Amounts and any sum so received or recovered from the Issuer will be used to make payments in accordance with the Guarantee;

(e) *Pass Through Series:* to the extent that the Guarantor does not have sufficient funds to pay principal on a Series of Covered Bonds (also taking into account amounts referred under letter (ii) of paragraph (b) above (if any)), such Series shall become a Pass Through Series in accordance with Condition 8(b);

(f) *Disposal of Assets:* the Guarantor shall use its best effort to sell the Eligible Assets and Top-Up Assets included in the Cover Pool in accordance with the provisions of the Cover Pool Management Agreement,

provided that, in case of the Issuer Event of Default

determined by a resolution issued in respect of the Issuer pursuant to article 74 of the Consolidated Banking Act (referred to under item (iv) (*Article 74 Event*) above) (the "**Article 74 Event**"), the effects listed in items (a) (*Application of the Segregation Event provisions*), (b) (*Guarantee*) and (d) (*Disposal of Assets*) above will only apply for as long as the suspension of payments pursuant to Article 74 of the Consolidated Banking Act will be in force and effect (the "**Suspension Period**"). Accordingly (A) the Guarantor, in accordance with Decree No. 310, shall be responsible for the payments of the amounts due and payable under the Covered Bonds during the Suspension Period and (B) at the end of the Suspension Period, the Issuer shall be again responsible for meeting the payment obligations under the Covered Bonds).

For the avoidance of doubt (i) in case of delivery of a Guarantee Enforcement Notice further to a non- payment of interest on a Series of Covered Bond the relevant Series becomes a Pass-Though Series on the relevant Maturity Date if and only to the extent that, on such date the Guarantor does not have sufficient funds to redeem the Final Redemption Amount of such Series and (ii) in case of delivery of a Guarantee Enforcement Notice further to an Insolvency Event of the Issuer - consisting in a procedure of *liquidazione coatta amministrativa* - or further to an Article 74 Event, if the Guarantor does not have sufficient funds pay the Final Redemption Amount due on a Series of Covered Bond on the relevant Maturity Date, such Series becomes a Pass-Though Series on such Maturity Date.

If any of the events set out in points (ii), (iii) other than in case of Insolvency Event consisting in a procedure of *liquidazione coatta amministrativa* of the Issuer, (v) or (vi) above occurs and is continuing, then the Representative of the Bondholders shall serve a notice to the Issuer, the Guarantor, the Principal Seller and any Additional Seller (if any), the Principal Servicer and any Additional Servicer (if any), the Asset Monitor, the Rating Agencies, the Guarantor Calculation Agent, the Swap Counterparties, the Post-Issuer Default Test Calculation Agent and the Rating Agencies (an "**Issuer Default Notice**").

Upon the service of an Issuer Default Notice the provisions governing the Segregation Event from item (a) to (d) shall apply.

Please also see Condition 11.2 (*Issuer Events of Default*).

Guarantor Event of Default

Following the occurrence of an Issuer Event of Default and delivery of the relevant Guarantee Enforcement Notice (to

the extent not revoked), a Guarantor Event of Default will occur if:

(i) *Non-payment*: the Guarantor fails to pay any interest and/or principal due and payable under the Guarantee and such breach is not remedied within the next following 7 Business Days; or

(ii) *Insolvency*: an Insolvency Event occurs in respect of the Guarantor; or

(iii) *Breach of other obligation*: a material breach of any obligation under the Programme Documents by the Guarantor occurs (other than payment obligations referred to in item (i) (*Non-payment*) above) which is not remedied within 30 calendar days after the Representative of the Bondholders has given written notice thereof to the Guarantor.

If any of the events set out in points from (i) to (iii) above (each, a "**Guarantor Event of Default**") occurs and is continuing then the Representative of the Bondholders shall serve a Guarantor Default Notice to the Issuer, the Guarantor, the Principal Seller and any Additional Seller (if any), the Principal Servicer and any Additional Servicer (if any), the Asset Monitor, the Guarantor Calculation Agent, the Italian Account Bank, the English Account Bank, the Back-up English Account Bank, the Principal Paying Agent and the Guarantor Corporate Servicer and the Rating Agencies, unless the Representative of the Bondholders, having exercised its discretion, resolves otherwise or a resolution of the Bondholders is passed resolving otherwise.

Upon the delivery of a Guarantor Default Notice:

(i) *Acceleration of Covered Bonds*: the Covered Bonds shall become immediately due and payable at their Early Termination Amount together, if appropriate, with any accrued interest and will rank *pari passu* among themselves in accordance with the Post-enforcement Priority of Payments;

(ii) *Guarantee*: subject to and in accordance with the terms of the Guarantee, the Representative of the Bondholders, on behalf of the Bondholders, shall have a claim against the Guarantor for an amount equal to the Early Termination Amount, together with accrued interest and any other amount due under the Covered Bonds (other than additional amounts payable as gross up) in accordance with the

Priority of Payments;

(iii) *Disposal of Assets*: the Guarantor shall immediately sell all Assets included in the Cover Pool in accordance with the provisions of the Cover Pool Management Agreement; and

(iv) *Enforcement*: the Representative of the Bondholders may, at its discretion and without further notice, take such steps and/or institute such proceedings against the Issuer or the Guarantor (as the case may be) as it may think fit to enforce such payments, but it shall not be bound to take any such proceedings or steps unless requested or authorised by a resolution of the Bondholders.

Please also see Condition 11.3 (*Guarantor Events of Default*).

Breach of Mandatory Tests and /or Asset Coverage Test

If on any Test Calculation Date or Quarterly Test Calculation Date, as the case may be, a Test Performance Report specifies that the Cover Pool is not in compliance with the relevant Test, then the Principal Seller and/or any Additional Seller(s) in respect of each relevant New Portfolio transferred to the Guarantor will either (i) sell additional Eligible Assets and/or Top-Up Assets to the Guarantor for an amount sufficient to allow the relevant Test to be met on the next following Test Calculation Date as determined in the immediately following Test Performance Report, in accordance with the Master Assets Purchase Agreement and the Cover Pool Management Agreement, to be financed through the proceeds of Term Loans to be granted by the Principal Seller and/or any Additional Seller(s), (ii) substitute any relevant assets in respect of which the right of repurchase can be exercised under the terms of the Master Assets Purchase Agreement with new Eligible Assets, for an amount sufficient to allow the relevant Test to be met on the next following Test Calculation Date as determined in the immediately following Test Performance Report or (iii) take any other action deemed appropriate to allow the relevant Tests to be cured on the next Test Calculation Date.

If, within the Test Grace Period the relevant breach of the Tests is not remedied in accordance with the terms of the Cover Pool Management Agreement, the Representative of the Bondholders will deliver a Breach of Test Notice.

If, after the delivery of a Breach of Test Notice, the relevant breach of the Tests is not remedied, within the Test Remedy Period, in accordance with the terms of the Cover Pool

Management Agreement, the Representative of the Bondholders will deliver a Guarantee Enforcement Notice.

Breach of the Amortisation Test

If, after the delivery of a Guarantee Enforcement Notice (and, in case of a Guarantee Enforcement Notice delivered as result of an Article 74 Event, prior to the delivery of an Article 74 Event Cure Notice), a breach of the Amortisation Test occurs:

Pass Through Series: any and all Series of Covered Bonds will become immediately Pass Through Series in accordance with Condition 8(b); and

Disposal of Assets: the Guarantor shall use its best effort to sell the Eligible Assets and Top-Up Assets included in the Cover Pool in accordance with the provisions of the Cover Pool Management Agreement.

15% Limit

The aggregate amount of Top-Up Assets included in the Cover Pool may not be in excess of 15% of the aggregate outstanding principal amount of the Cover Pool, other than as otherwise permitted by law or applicable regulation.

THE TESTS

For an overview of the Tests, see paragraphs "*Mandatory Tests*" and "*Asset Coverage Test*", "*Amortisation Test*" of section "*Structure Overview*" below.

For a detailed description of the Tests, see paragraph "*Tests*" of section "*Credit Structure*" below.

THE GUARANTOR AND THE GUARANTEE

Guarantee

Payments of Guaranteed Amounts in respect of the Covered Bonds when Due for Payment will be unconditionally and irrevocably guaranteed by the Guarantor. The obligations of the Guarantor to make payments in respect of such Guaranteed Amounts when Due for Payment are subject to the conditions that an Issuer Event of Default has occurred, and a Guarantee Enforcement Notice has been served on the Issuer and on the Guarantor.

The obligations of the Guarantor will accelerate once a Guarantor Default Notice has been delivered to the Guarantor. The obligations of the Guarantor under the Guarantee constitute direct, unconditional and unsubordinated obligations collateralised by the Cover Pool and recourse against the Guarantor is limited to such assets.

For further details, see "*Description of the Programme Documents - Guarantee*".

Cover Pool	The Guarantee will be collateralised by the Cover Pool constituted by (i) the Portfolio comprised of (a) Mortgage Loans and the related collateral and (b) Asset Backed Securities, assigned to the Guarantor by the Principal Seller and/or the Additional Seller(s) in accordance with the terms of the Master Assets Purchase Agreement (ii) any proceeds arising from the Swap Agreements and (iii) any other Eligible Assets and Top-Up Assets held by the Guarantor with respect to the Covered Bonds and the proceeds thereof which will, *inter alia*, comprise the funds generated by the Portfolio, the other Eligible Assets and the Top-Up Assets including, without limitation, funds generated by the sale of assets from the Cover Pool and funds paid in the context of a liquidation of the Issuer. The Asset Backed Securities to be comprised in the Cover Pool will comply with the relevant eligibility criteria set out under the ECB Guidelines. For further details, see "*Description of the Cover Pool*".
Limited recourse	The obligations of the Guarantor to the Bondholders and, in general, to the Seller and/or any Additional Seller(s) and other creditors will be limited recourse obligations of the Guarantor. The Bondholders, the Seller and /or any Additional Seller(s) and such other creditors will have a claim against the Guarantor only to the extent of the Guarantor Available Funds subject to the relevant Priorities of Payments, in each case subject to, and as provided for in, the Guarantee and the other Programme Documents.
Term Loans	Under the terms of the Subordinated Loan Agreements, the Principal Seller and the Additional Seller(s), in their capacity, respectively, as Principal Subordinated Lender and Additional Subordinated Lender, will from time to time grant to the Guarantor Term Loans in the form of (i) a Programme Term Loan, or (ii) a Floating Interest Term Loan, or (iii) a Fixed Interest Term Loan. The Programme Term Loan will be granted for the purpose of, *inter alia*(i) funding the purchase price of the Eligible Assets and Top Up Assets included in the Initial Portfolio and in any New Portfolios to be transferred to the Guarantor pursuant to the Master Assets Purchase Agreement, and/or (ii) remedying any breach of the Tests and complying with the 15% Limit with respect to the Top-Up Assets, and/or (iii) repayment of any other Floating Interest Term Loan or Fixed Interest Term Loan as necessary. Each Floating Interest Term Loan or Fixed Interest Term Loan will be granted for the purpose of, *inter alia*(i) funding

the purchase price of the Eligible Assets and Top-Up Assets included in any New Portfolios to be transferred to the Guarantor in connection with the issue of a Corresponding Series or Tranche of Covered Bonds to be issued under the Programme, and/or (ii) reimbursing (also in part) any Term Loan for an amount equal to the Corresponding Series or Tranche of Covered Bonds.

Amounts owed to each Subordinated Lender by the Guarantor under the Subordinated Loan Agreements will be subordinated to amounts owed by the Guarantor under the Covered Bond Guarantee.

For further details, see "*Description of the Programme Documents - Subordinated Loan Agreements*".

Excess Assets and support for further issues

Any Eligible Assets and Top-Up Assets forming part of the Cover Pool which are in excess of the value of the Eligible Assets and Top-Up Assets required to satisfy the Tests may be (i) purchased by the Seller in accordance with the provisions of the Cover Pool Management Agreement and the Master Assets Purchase Agreement or (ii) retained in the Cover Pool, also to be applied to support the issue of new Series or Tranche of Covered Bonds or ensure compliance with the Tests, provided that in each case any such disposal or retention shall occur in accordance with any relevant law, regulation or interpretation of any authority (including, for the avoidance of doubts, the Bank of Italy or the Minister of Economy and Finance) which may be enacted with respect to Law 130, the Bank of Italy Regulation and the Decree No. 310 and no disposal under item (i) above may occur if it would cause the Tests to be breached.

For further details, see "*Description of the Programme Documents - The Cover Pool Management Agreement*".

Segregation of Guarantor's rights and collateral

The Covered Bonds benefit from the provisions of Article 7-*bis* of Law 130, pursuant to which the Cover Pool is segregated by operation of law from the Guarantor's other assets.

In accordance with Article *7-bis* of Law 130, prior to and following a winding up of the Guarantor and an Issuer Event of Default or Guarantor Event of Default causing the Guarantee to be called, proceeds of the Cover Pool paid to the Guarantor and amounts standing to the credit of the accounts opened in the name of the Guarantor will be exclusively available for the purpose of satisfying the obligations owed to the Bondholders, to the Swap Providers under the Swap Agreements and to any other creditors exclusively in satisfaction of the transaction costs of the

	Programme. The Cover Pool may not be seized or attached in any form by creditors of the Guarantor other than the entities referred to above, until full discharge by the Guarantor of its payment obligations under the Guarantee or cancellation thereof.
Cross-collateralisation	All Eligible Assets and Top-Up Assets transferred from the Seller(s) to the Guarantor from time to time or otherwise acquired by the Guarantor and the proceeds thereof, any proceeds arising from the Swap Agreements and any funds generated by the sale of assets included in the Cover Pool form the collateral supporting the Guarantee in respect of all Series or Tranche of Covered Bonds.
Claims under Covered Bonds	The Representative of the Bondholders, for and on behalf of the Bondholders, may submit a claim to the Guarantor and make a demand under the Guarantee in case of an Issuer Event of Default or Guarantor Event of Default.
Disposal of the Assets included in the Cover Pool following the delivery of a Guarantee Enforcement Notice	After the service of a Guarantee Enforcement Notice, the Guarantor (or the Principal Servicer on behalf of the Guarantor) shall use its best effort to sell the Eligible Assets and Top-Up Assets in the Cover Pool (any such Eligible Assets and Top-Up Assets, the "**Selected Assets**") in accordance with the provisions of the Cover Pool Management Agreement. The Guarantor shall use its best effort to sell the Selected Assets, on a semi-annual basis, at least within (provided that the Guarantor may commence before) the date falling (i) 30 calendar days after the service of a Guarantee Enforcement Notice following a non-payment referred under Condition 11.2(a) or (ii) in any other case of Guarantee Enforcement Notice delivered other than for a non payment on a Series of Covered Bonds, six months prior to the Maturity Date of the Earliest Maturing Covered Bonds (the "**Earliest Maturing Sale Date**") and up to the earlier of (a) the date on which a breach of the Amortisation Test occurred, (b) the date on which the Pass Through Series of Covered Bonds have been redeemed in full and (c) the date on which a Guarantor Default Notice is delivered. The Guarantor shall use its best effort to sell the Selected Assets, in accordance with the provisions of the Cover Pool Management Agreement, in an amount as close as possible to the amount necessary **(i)** to redeem in full (a) the Pass Through Series and/or (b) only on the Earliest Maturing Sale Date, the Earliest Maturing Covered Bonds and **(ii)** to pay any interest amount due in respect of the Covered Bonds, net

of any amounts standing to the credit of the Programme Accounts, provided that, prior to and following the sale of such Selected Assets, the Amortisation Test is complied with.

Any such sale shall be subject to the right of pre-emption in favour of the Issuer (other than in case of *liquidazione coatta amministrativa* of the Issuer), as Principal Seller, or any Additional Seller(s) in respect of such Selected Assets.

The proceeds from any such sale will be credited (net of the cost connected to the sale of such Selected Assets) to the Main Programme Account and applied as set out in the Guarantee Priority of Payments to (i) pay interest on the relevant Series of Covered Bonds and (ii) redeem any relevant Pass Through Series.

The Selected Assets to be sold will be selected from the Cover Pool on a random basis by the Principal Servicer on behalf of the Guarantor.

Disposal of the Assets included in the Cover Pool following the delivery of a Guarantee Enforcement Notice and the breach of the Amortisation Test

Following the delivery of a Guarantee Enforcement Notice (and, in case of a Guarantee Enforcement Notice delivered as result of an Article 74 Event, prior to the delivery of an Article 74 Event Cure Notice), in case a Test Performance Report specifies that a breach of the Amortisation Test occurred, the Guarantor shall use its best effort to sell the Selected Assets on a semi-annual basis starting from the date falling 30 calendar days after the date of the relevant Test Performance Report.

The Guarantor shall use its best effort to sell the Selected Assets in an amount as close as possible to the amount necessary (i) to redeem in full the Pass Through Series and (ii) to pay any interest amount due in respect of the Covered Bonds net of any amounts standing to the credit of the Programme Accounts.

Disposal of the Assets included in the Cover Pool following the delivery of a Guarantor Default Notice

After the service of a Guarantor Default Notice, the Guarantor shall immediately sell all Eligible Assets and Top-Up Assets included in the Cover Pool in accordance with the procedures described in the Cover Pool Management Agreement, subject to the right of pre-emption in favour of the Issuer (other than in case of *liquidazione coatta amministrativa* of the Issuer), as Principal Seller, or the Additional Seller provided that the Guarantor will instruct the Portfolio Manager to use all reasonable endeavours to procure that such sale is carried out as quickly as reasonably practicable taking into account the market conditions at that time.

For further details, see Condition 11.3 (*Guarantor Events of Default*).

SALE AND DISTRIBUTION

Distribution

Covered Bonds may be distributed by way of private or public placement and in each case on a syndicated or non syndicated basis, subject to the restrictions set forth in the Programme Agreement.

Purchase of Covered Bonds by the Issuer

The Issuer or any such subsidiary may at any time purchase any Covered Bonds in the open market or otherwise and at any price.

Certain restrictions

Each Series or Tranche of Covered Bonds issued will be denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply and will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time. There are restrictions on the offer, sale and transfer of Covered Bonds in the United States, the European Economic Area (including the Republic of Italy), the United Kingdom and Japan. Other restrictions may apply in connection with the offering and sale of a particular Series or Tranche of Covered Bonds.

For further details, see section "*Subscription and Sale*" below.

DOCUMENTS INCORPORATED BY REFERENCE

This Prospectus should be read and construed in conjunction with the following documents, which have been previously published, or are published simultaneously with this Prospectus or filed with the CSSF, together, in each case, with the audit reports (if any) thereon:

(a) the audited consolidated annual financial statements of the Issuer as at and for the years ended 31 December 2014 and 31 December 2015 including the relevant auditors' reports;

(b) the unaudited half-yearly consolidated financial report of the Issuer as at and for the period ended 30 June 2015 and 30 June 2016 including the relevant auditors' review report;

(c) the financial statements of the Guarantor as at and for the years ended 31 December 2014 and 31 December 2015;

(d) the auditors' report for the Guarantor for financial statements as at and for the years ended 31 December 2014 and 31 December 2015.

Such documents shall be incorporated by reference into, and form part of, this Prospectus, save that any statement contained in a document which is incorporated by reference herein shall be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Prospectus.

Copies of documents incorporated by reference into this Prospectus may be obtained from the registered office of the Issuer or, for the audited consolidated annual financial statements of the Issuer as at and for the years ended 31 December 2014 and 31 December 2015, the auditor's report for the Issuer for the financial year ended 31 December 2014 and 31 December 2015 and the unaudited half-yearly consolidated financial report of the Issuer as at and for the period ended 30 June 2016 and 30 June 2015, on the Issuer's website (http://www.mps.it). This Prospectus and the documents incorporated by reference will also be available on the Luxembourg Stock Exchange's web site (http://www.bourse.lu).

The Issuer declares that only the English language versions, which represent a direct translation from the Italian language documents (including the audit reports), are incorporated by reference in this Prospectus.

Cross-reference List

The following table shows where the information incorporated by reference into this Prospectus, including the information required under Annex IX of Commission Regulation (EC) No. 809/2004, can be found in the above-mentioned financial statements incorporated by reference into this Prospectus.

Annual and Semiannual consolidated financial statements of the Issuer and the Guarantor

Commission Regulation (EC) No. 809/2004, Annex IX, paragraph 11.1.

Audited annual financial statements of the Issuer	2014	2015
Balance Sheet	Pages 122-123	Pages 97-98
Income Statement	Page 124	Page 99-100
Cash flow statement	Pages 130-131	Pages 106-107
Notes to Financial Statements	Pages 132-504	Pages 109-477
Audit report	Pages 515-516	Pages 479-482

Unaudited consolidated half-yearly financial report of the Issuer	30 June 2015	30 June 2016
Balance Sheet	Pages 81-82	Pages 15-16
Income Statement	Pages 83	Pages 17
Statement of comprehensive income	Pages 84	Pages 18
Statement of changes in equity	Pages 85 - 88	Pages 19 – 22
Cash flow statement	Pages 89-90	Pages 23-24
Explanatory Notes	Pages 91-222	Pages 25-92
Auditors' review report	Pages 229	Pages 95

Financial statements of the Guarantor	2014	2015
Balance Sheet	Page 11	Page 10
Income Statement	Page 11	Page 10
Cash and cash equivalents	Page 14	Pages 13-14
Statements of changes in the Shareholders' Equity accounts	Page 13	Page 12
Supplementary Notes to the Financial Statements	Page 16-71	Page 15-75
Audit report	Separate document included at the beginning of the annual Financial statements	Separate document included at the beginning of the annual Financial statements

The information incorporated by reference that is not included in the cross-reference list, is considered as additional information and is not required by the relevant schedules of the Prospectus Regulation.

TERMS AND CONDITIONS OF THE COVERED BONDS

The following is the text of the terms and conditions of the Covered Bonds (the "Conditions" and, each of them, a "Condition"). In these Conditions, references to the "holder" of Covered Bonds and to the "Bondholders" are to the ultimate owners of the Covered Bonds, bearer and dematerialised and evidenced by book entries with Monte Titoli in accordance with the provisions of (i) Article 83-bis of the Financial Laws Consolidation Act and (ii) the joint regulation of CONSOB and the Bank of Italy dated 22 February 2008 and published in the Official Gazette No. 54 of 4 March 2008, as subsequently amended and supplemented from time to time.

The Bondholders are deemed to have notice of and are bound by, and shall have the benefit of, inter alia, the terms of the Rules of the Organisation of the Bondholders attached to, and forming part of, these Conditions. In addition, the applicable Final Terms in relation to any Series or Tranche of Covered Bonds may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the Conditions, complete the Conditions for the purpose of such Series or Tranche.

1. INTRODUCTION

(a) *Programme*: Banca Monte dei Paschi di Siena S.p.A. (the "**Issuer**") has established a covered bond programme (the "**Programme**") for the issuance of up to €10,000,000,000 in aggregate principal amount of covered bonds (*Obbligazioni Bancarie Garantite*) (the "**Covered Bonds**") guaranteed by MPS Covered Bond S.r.l. (the "**Guarantor**"). Covered Bonds are issued pursuant to Article 7-bis of Law No. 130 of 30 April 1999 (as amended, the "**Law 130**"), Ministerial Decree No. 310 of the Ministry for the Economy and Finance of 14 December 2006 (the "**Decree No. 310**") and the regulation of the Bank of Italy of 17 May 2007 (the "**Bank of Italy Regulations**").

(b) *Final Terms*: Covered Bonds are issued in series or tranches (each, respectively, a "**Series**" or "**Tranche**"). Each Series or Tranche is the subject of final terms (the "**Final Terms**") which complete these Conditions. The terms and conditions applicable to any particular Series or Tranche of Covered Bonds are these Conditions as completed by the relevant Final Terms.

(c) *Guarantee*: Each Series or Tranche of Covered Bonds is the subject of a guarantee dated 18 June 2010 (the "**Guarantee**") entered into between the Guarantor and the Representative of the Bondholders for the purpose of guaranteeing the payments due from the Issuer in respect of the Covered Bonds of all Series or Tranches issued under the Programme. The Guarantee will be backed by the Cover Pool (as defined below). The recourse of the Bondholders to the Guarantor under the Guarantee will be limited to the assets of the Cover Pool. Payments made by the Guarantor under the Guarantee will be made subject to, and in accordance with, the relevant Priority of Payments.

(d) *Programme Agreement and Subscription Agreements*: The Issuer and the Dealer(s) have agreed that any Covered Bonds of any Series or Tranche which may from time to time be agreed between the Issuer and the Dealer(s) to be issued by the Issuer and subscribed for by such Dealer(s) shall be issued and subscribed for on the basis of, and in reliance upon, the representations,

warranties, undertakings and indemnities made or given or provided to be made or given pursuant to the terms of a programme agreement (the "**Programme Agreement**") entered into, on 18 June 2010, between the Issuer, the Guarantor, the Representative of the Bondholders and the Dealer(s). In addition, in relation to each Series or Tranche of Covered Bonds the Issuer, and the relevant Dealer(s) will enter into a subscription agreement on or about the date of the relevant Final Terms (the "**Subscription Agreement**"). According to the terms of the Programme Agreement, the Issuer has the faculty to nominate any institution as a new Dealer in respect of the Programme or nominate any institution as a new Dealer only in relation to a particular Series or Tranche of Covered Bonds upon satisfaction of certain conditions set out in the Programme Agreement.

(e) *Monte Titoli Mandate Agreement*: In a mandate agreement with Monte Titoli S.p.A. ("**Monte Titoli**") (the "**Monte Titoli Mandate Agreement**"), Monte Titoli has agreed to provide the Issuer with certain depository and administration services in relation to the Covered Bonds issued in bearer and dematerialised form.

(f) *Master Definitions Agreement*: In a master definitions agreement (the "**Master Definitions Agreement**") between, *inter alios*, the Issuer, the Guarantor, the Representative of the Bondholders and the Other Guarantor Creditors (as defined below), the definitions of certain terms used in the Programme Documents have been agreed.

(g) *The Covered Bonds*: Except where stated otherwise, all subsequent references in these Conditions to "**Covered Bonds**" are to the Covered Bonds which are the subject of the relevant Final Terms, but all references to "**each Series or Tranche of Covered Bonds**" are to (i) the Covered Bonds which are the subject of the relevant Final Terms and (ii) each other Series or Tranche of Covered Bonds issued under the Programme which remains outstanding from time to time.

(h) *Rules of the Organisation of the Bondholders*: The rules of the organisation of bondholders (the "**Rules**") are attached to, and form an integral part of, these Conditions. References in these Conditions to the Rules include such rules as from time to time modified in accordance with the provisions contained therein and any agreement or other document expressed to be supplemental thereto.

(i) *Summaries*: Certain provisions of these Conditions are summaries of the Programme Documents and are subject to their detailed provisions. Bondholders are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Programme Documents applicable to them. Copies of the Programme Documents are available for inspection by Bondholders during normal business hours at the registered office of the Representative of the Bondholders from time to time and, where applicable, at the Specified Office(s) of the Paying Agents.

2. **INTERPRETATION**

(a) *Definitions:*

In these Conditions the following expressions have the following meanings:

"**15% Limit**" means the limit of 15% (of the aggregate outstanding principal amount of the Cover Pool) of Top-Up Assets that may be included in the Cover Pool unless otherwise permitted by law or applicable regulation.

"**Accrual Yield**" has the meaning given in the relevant Final Terms.

"**Accrued Interest**" means, as of any Valuation Date and in relation to any Eligible Asset to be assigned as at that date, the portion of the Interest Instalment accrued, but not yet due, as at such date.

"**Additional Seller**" means any entity being part of the Montepaschi Group that may transfer one or more New Portfolios to the Guarantor following the accession to the Programme pursuant to the Programme Documents.

"**Additional Servicer**" means each Additional Seller which has been appointed as servicer in relation to the Assets transferred to the Guarantor, following the accession to the Programme and to the Master Servicing Agreement, pursuant to the Programme Documents.

"**Additional Subordinated Lender**" means each Additional Seller in its capacity as additional subordinated lender, pursuant to the relevant Subordinated Loan Agreement.

"**Adjustment Purchase Price**" means the purchase price adjusted on the basis of calculations carried out pursuant to clause 7 of the Master Assets Purchase Agreement.

"**Amortisation Test**" means the Test as indicated in clause 4 of the Cover Pool Management Agreement.

"**Assets**" means, collectively, the Eligible Assets and the Top-Up Assets.

"**Asset Backed Securities**" means, pursuant to article 2, sub-paragraph 1, of Decree No. 310 the asset backed securities for which a risk weight not exceeding 20% is applicable in accordance with the Bank of Italy's prudential regulations for banks - standardised approach - provided that at least 95% of the relevant securitised assets are:

(i) Residential Mortgage Loans;

(ii) Commercial Mortgage Loans;

(iii) Public Entity Receivables or Public Entity Securities.

and, in any case, complying with the requirements of the ECB Guidelines.

"**Asset Coverage Test**" has the meaning as indicated pursuant to clause 3 of the Cover Pool Management Agreement.

"**Asset Monitor**" means Deloitte & Touche S.p.A. in its capacity as asset monitor pursuant to the Asset Monitor Engagement Letter and the Asset Monitor Agreement.

"**Asset Monitor Agreement**" means the agreement entered on 18 June 2010 between, inter alios, the Asset Monitor, the Issuer and the Guarantor, as amended from time to time.

"**Asset Monitor Engagement Letter**" means the engagement letter entered into, on 18 June 2010, between the Issuer and the Asset Monitor in order to perform specific agreed upon procedures concerning, *inter alia*, (i) the fulfillment of the eligibility criteria set out under Decree No. 310 with respect to the Eligible Assets and Top-Up Assets included in the Cover Pool; (ii) the compliance with the limits to the transfer of the Eligible Assets set out under Decree No. 310; and (iii) the effectiveness and adequacy of the risk protection provided by any Swap Agreement entered into in the context of the Programme.

"**Asset Swap Agreement**" means any asset swap agreement which may be entered into between an Asset Swap Provider and the Guarantor.

"**Asset Swap Provider**" means any entity acting as swap counterparty under an Asset Swap Agreement.

"**Back-Up Account Bank**" means any of the Italian Back-Up Account Bank and the English Back-Up Account Bank.

"**Back-Up Servicer**" means Securitisation Services S.p.A. or any other entity that will be appointed in such capacity by the Guarantor, together with the Representative of the Bondholders, pursuant to clause 10.1 of the Master Servicing Agreement.

"**Bank of Italy Regulations**" means the regulations No. 285 issued by the Bank of Italy on 17 December 2013, as supplemented from time to time.

"**Bankruptcy Law**" means Royal Decree No. 267 of 16 March 1942, as subsequently amended and supplemented.

"**Base Interest**" has the meaning given to the term "Interesse Base" pursuant to the Subordinated Loan Agreement.

"**English Back-Up Account Bank**" means The Bank of New York Mellon S.A.\N.V., London Branch or any other entity appointed to act as such pursuant to the Cash Allocation, Management and Payments Agreement.

"**BMPS**" means Banca Monte dei Paschi di Siena S.p.A..

"**Bondholders**" means the holders from time to time of the Covered Bonds included in each Series or Tranche of Covered Bonds.

"**Breach of Tests Cure Notice**" means the notice delivered by the Representative of the Bondholders in accordance with the terms of the Cover Pool Management Agreement.

"**Breach of Test Notice**" means the notice delivered by the Representative of the Bondholders in accordance with the terms of the Cover Pool Management Agreement following the infringement of one of the Tests prior to an Issuer Event of Default and/or a Guarantor Event of Default.

"**Business Day**" means any day (other than a Saturday or Sunday) on which banks are generally open for business in Milan, Luxembourg and London and on which the Trans-European Automated Real Time Gross Settlement Express Transfer System (TARGET 2) (or any successor thereto) is open.

"**Business Day Convention**", in relation to any particular date, has the meaning given in the relevant Final Terms and, if so specified in the relevant Final Terms, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

(i) "**Following Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day;

(ii) "**Modified Following Business Day Convention**" or "**Modified Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;

(iii) "**Preceding Business Day Convention**" means that the relevant date shall be brought forward to the first preceding day that is a Business Day;

(iv) "**FRN Convention**", "**Floating Rate Convention**" or "**Eurodollar Convention**" means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Final Terms as the Specified Period after the calendar month in which the preceding such date occurred provided, however, that:

(A) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;

(B) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and

(C) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the

specified number of months after the calendar month in which the preceding such date occurred; and

(v) "**No Adjustment**" means that the relevant date shall not be adjusted in accordance with any Business Day Convention.

"**Calculation Amount**" is the amount used for the calculation of interest amounts and redemption amounts for the relevant covered bonds as specified in the relevant Final Terms.

"**Calculation Period**" means the period from one Guarantor Calculation Date (included) to the next Guarantor Calculation Date (excluded).

"**Call Option**" has the meaning given in the relevant Final Terms.

"**Cash Allocation, Management and Payments Agreement**" means the cash allocation, management and payments agreement entered on 18 June 2010 between, inter alios, the Guarantor, the Representative of the Bondholders, the Paying Agent(s), the Italian Account Bank and the English Account Bank, as amended from time to time.

"**Cash Manager**" means BMPS acting in such capacity pursuant to the Cash Allocation, Management and Payments Agreement or any other entity acting in such capacity pursuant to the Cash Allocation, Management and Payments Agreement.

"**Cash Manager Report**" means the report produced by the Cash Manager pursuant to the Cash Allocation, Management and Payments Agreement.

"**Cessation of Business**" means, with respect to the Issuer, the loss of the banking licence.

"**Civil Code**" means the Italian civil code, enacted by Royal Decree No. 262 of 16 March 1942, as subsequently amended and supplemented.

"**Clearstream**" means Clearstream Banking société anonyme, Luxembourg with offices at 42 avenue JF Kennedy, L-1855 Luxembourg.

"**Collateral Account(s)**" means any other cash and/or securities account (different from the Guarantor's Accounts) opened by the Guarantor pursuant to clause 7.4 of the Intercreditor Agreement.

"**Collateral Security**" means any security (including any loan mortgage insurance and excluding Mortgages) granted to the Principal Seller (or any Additional Seller(s), if any) by any Debtor in order to guarantee the payment and/or redemption of any amounts due under the relevant Mortgages Loan Agreement.

"**Collection Date**" means (i) prior to the service of a Guarantor Default Notice, the first calendar day of each month; and (ii) following the service of a Guarantor Default Notice, each date determined by the Representative of the Bondholders as such.

"**Collection Period**" means the Monthly Collection Period and/or the Quarterly Collection Period, as applicable.

"**Collections**" means all amounts received or recovered by the Servicer in respect of the Assets included in the Cover Pool.

"**Commercial Mortgage Loan**" means, pursuant to article 2, sub-paragraph 1, of Decree No. 310 a commercial mortgage loan in respect of which the relevant amount outstanding added to the principal amount outstanding of any higher ranking mortgage loans secured by the same property does not exceed 60% and for which the hardening period with respect to the perfection of the relevant mortgage has elapsed.

"**CONSOB**" means Commissione Nazionale per le Società e la Borsa.

"**Consolidated Banking Act**" means Legislative Decree No. 385 of 1 September 1993, as subsequently amended and supplemented.

"**Corporate Services Agreement**" means the corporate services agreement entered on 18 June 2010 between, inter alios, the Guarantor and the Guarantor Corporate Servicer.

"**Corresponding Interest**" has the meaning given to the term "Interesse Collegato" in the Subordinated Loan Agreement.

"**Corresponding Series or Tranche of Covered Bonds**" means, in respect of a Fixed Interest Term Loan or a Floating Interest Term Loan, the Series or Tranche of Covered Bonds issued or to be issued pursuant to the Programme and notified by the Subordinated Lender to the Guarantor in the relevant Term Loan Proposal.

"**Cover Pool**" means the cover pool constituted by (i) Receivables; (ii) any other Eligible Assets; and (iii) any Top-Up Assets.

"**Cover Pool Management Agreement**" means the Cover Pool management agreement entered on 18 June 2010 between, inter alios, the Issuer, the Guarantor, the Principal Seller, the Pre-Issuer Default Test Calculation Agent, the Post-Issuer Default Test Calculation Agent, the Guarantor Calculation Agent and the Representative of the Bondholders, as amended from time to time.

"**Covered Bond Swap Agreement**" means each International Swaps and Derivatives Association ("ISDA") 1992 Master Agreement (Multicurrency Cross Border) (together with the Schedule and credit support annex thereto and the confirmations evidencing interest rate swap transactions thereunder) entered into from time to time between the Guarantor and a Covered Bond Swap Provider, as amended from time to time.

"**Covered Bond Swap Provider**" means any entity acting as covered bond swap provider under a Covered Bond Swap Agreement to the Guarantor and "Covered Bond Swap Providers" means more than one of them.

"**Covered Bonds**" means the Covered Bonds (Obbligazioni Bancarie Garantite) of each Series or Tranche issued or to be issued by the Issuer in the context of the Programme.

"**Day Count Fraction**" means, in respect of the calculation of an amount for any period of time (the "Calculation Period"), such day count fraction as may be specified in the Terms and Conditions or the relevant Final Terms and:

(i) if "Actual/Actual (ICMA)" is so specified, means:

(A) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and

(B) where the Calculation Period is longer than one Regular Period, the sum of:

(1) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (a) the actual number of days in such Regular Period and (b) the number of Regular Periods in any year; and

(2) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (a) the actual number of days in such Regular Period and (b) the number of Regular Periods in any year;

(ii) if "Actual/Actual (ISDA)" is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(iii) if "Actual/365 (Fixed)" is so specified, means the actual number of days in the Calculation Period divided by 365;

(iv) if "Actual/360" is so specified, means the actual number of days in the Calculation Period divided by 360;

(v) if "30/360" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows

Day Count Fraction =

where:

"**Y1**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y2**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M1**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M2**" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

"**D1**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

"**D2**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30";

(vi) if "30E/360" or "Eurobond Basis" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

Day Count Fraction =

where:

"**Y1**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y2**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M1**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M2**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D1**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

"**D2**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D2 will be 30; and

(vii) if "30E/360 (ISDA)" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

Day Count Fraction =

where:

"**Y1**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y2**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M1**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M2**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D1**" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

"**D2**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D2 will be 30,

provided, however, that in each such case the number of days in the Calculation Period is calculated from and including the first day of the Calculation Period to but excluding the last day of the Calculation Period.

"**DBRS**" means DBRS Ratings Limited.

"**DBRS Equivalent Rating**" means the DBRS rating equivalent of any of the below ratings by Moody's, Fitch or S&P:

DBRS	Moody's	S&P	Fitch
AAA	Aaa	AAA	AAA
AA(high)	Aa1	AA+	AA+
AA	Aa2	AA	AA
AA(low)	Aa3	AA-	AA-
A(high)	A1	A+	A+
A	A2	A	A
A(low)	A3	A-	A-
BBB(high)	Baa1	BBB+	BBB+
BBB	Baa2	BBB	BBB
BBB(low)	Baa3	BBB-	BBB-
BB(high)	Ba1	BB+	BB+
BB	Ba2	BB	BB
BB(low)	Ba3	BB-	BB-
B(high)	B1	B+	B+
B	B2	B	B
B(low)	B3	B-	B-
CCC(high)	Caa1	CCC+	CCC+
CCC	Caa2	CCC	CCC
CCC(low)	Caa3	CCC-	CCC-
CC	Ca	CC	CC
C	C	D	D

"**DBRS Rating**" is any of the following:

- Public rating

- Private rating

- Internal assessment

(a) if a Fitch public rating, a Moody's public rating and an S&P public rating in respect of the Eligible Investment or the Eligible Institution (each, a "Public Long Term Rating") are all available at such date, the DBRS Rating will be the DBRS Equivalent Rating of such Public Long Term Rating remaining after disregarding the highest and lowest of such Public Long Term Ratings from such rating agencies (provided that if such Public Long Term Rating is under credit watch negative, or the equivalent, then the DBRS Equivalent Rating will be considered one notch below). For this purpose, if more than one Public Long Term Rating has the same highest DBRS Equivalent Rating or the same lowest DBRS Equivalent Rating, then in each case one of such Public Long Term Ratings shall be so disregarded;

(b) if the DBRS Rating cannot be determined under (a) above, but Public Long Term Ratings of the Eligible Investment by any two of Fitch, Moody's and S&P are available at such date, the DBRS Equivalent Rating of the lower such Public Long Term Rating (provided that if such Public Long Term Rating is under credit watch negative, or the equivalent, then the DBRS Equivalent Rating will be considered one notch below); and

(c) if the DBRS Rating cannot be determined under (a) and (b) above, but Public Long Term Ratings by any one of Fitch, Moody's and S&P are available at such date, then the DBRS Equivalent Rating will be such Public Long Term Rating (provided that if such Public Long Term Rating is under credit watch negative, or the equivalent, then the DBRS Equivalent Rating will be considered one notch below).

If at any time the DBRS Rating cannot be determined under subparagraphs (a) to (c) above, the DBRS Rating will be deemed to be of "C" at such time.

"**Dealers**" means The Royal Bank of Scotland plc, Morgan Stanley & Co. International plc, MPS Capital Services Banca per l'Impresa S.p.A. and any other entity that will be appointed as such by the Issuer by means of the subscription of a letter under the terms or substantially under the terms provided in schedule 6 of the Programme Agreement.

"**Debtor**" means (i) with reference to the Mortgage Loans, any borrower and any other person, other than a Mortgagor, who entered into a Mortgage Loan Agreement as principal debtor or guarantor or who is liable for the payment or repayment of amounts due in respect of a Mortgage Loan, as a consequence, inter alia, of having granted any Collateral Security or having assumed the borrower's obligation under an accollo, or otherwise; and (ii) with reference to the Asset Backed Securities, the relevant Issuer.

"**Decree No. 213**" means Italian Legislative Decree number 213 of 24 June 1998, as amended and supplemented from time to time.

"**Decree No. 239**" means the Italian Legislative Decree number 239 of 1 April 1996, as subsequently amended and supplemented.

"**Decree No. 310**" means the ministerial decree No. 310 of 14 December 2006 issued by the Ministry of the Economy and Finance, as subsequently amended and supplemented.

"**Deed of Pledge**" means the Italian law deed of pledge entered on 18 June 2010.

"**Drawdown Date**" means the date indicated in each Term Loan Proposal on which a Term Loan is granted pursuant to the Subordinated Loan Agreement (or, in respect of any Additional Subordinated Lenders, pursuant to the relevant Subordinated Loan Agreement) during the Subordinated Loan Availability Period.

"**Due for Payment**" means the requirement for the Guarantor to pay any Guaranteed Amounts following the delivery of a Guarantee Enforcement Notice after the occurrence of certain Issuer Events of Default, such requirement arising: (i) prior to the occurrence of a Guarantor Event of Default, on the date on which the Guaranteed Amounts are due and payable in accordance with the Terms and Conditions and the Final Terms of the relevant Series or Tranche of Covered Bonds (being the relevant Maturity Date or Extended Maturity Date, as the case may be); and (ii) following the occurrence of a Guarantor Event of Default, the date on which the Guarantor Default Notice is served on the Guarantor.

"**Earliest Maturing Covered Bonds**" means, at any time, the Series or Tranche of Covered Bonds that has or have the earliest Maturity Date (if the relevant Series or Tranche of Covered Bonds is not subject to an Extended Maturity Date) or Extended Maturity Date (if the relevant Series or Tranche of Covered Bonds is subject to an Extended Maturity Date) as specified in the relevant Final Terms.

"**Early Redemption Amount (Tax)**" means, in respect of any Series of Covered Bonds, the principal amount of such Series or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms.

"**Early Termination Amount**" means, in respect of any Series or Tranche of Covered Bonds, the principal amount of such Series or Tranche or such other amount as may be specified in, or determined in accordance with, the Terms and Conditions or the relevant Final Terms.

"**ECB Guidelines**" means the Guideline of the European Central Bank of 20 September 2011 (ECB/2011/14), published on the Official Gazette of the European Union no. 331 of 14 December 2011, as amended by the Guideline of the European Central Bank on 26 November 2012 (ECB/2012/25) published on the Official Gazette of the European Union no. 348 on 18 December 2012, both relating to monetary policy instruments and procedures of the Eurosystem, and the decisions of the European Central Bank dated, respectively, 20 March 2013 (ECB/2013/6), on the rules concerning the use as collateral for Eurosystem monetary policy operations of own-use uncovered government-guaranteed bank bonds, and 26 September 2013 on additional measures relating to Eurosystem refinancing operations and eligibility of collateral (ECB/2013/35), as subsequently amended and supplemented.

"**Eligible Assets**" means the following assets contemplated under article 2, sub-paragraph 1, of Decree No. 310:

(i) Residential Mortgage Loans;

(ii) Asset Backed Securities.

"**Eligible Institution**" means any credit institution incorporated under the laws of any state which is a member of the EEA or of the United States, whose short-term unsecured and unsubordinated debt obligations with respect to DBRS have a DBRS Rating or DBRS Equivalent Rating equal to the Minimum DBRS Rating , at least "F-1" by Fitch, and at least "P-1" by Moody's and whose long-term unsecured and unsubordinated debt obligations are rated at least "A" by Fitch and at least "P-1" by Moody's no long term Moody's rating, (provided that, if any of the above credit institutions is on rating watch negative, it shall be treated as one notch below its current Fitch rating) or any other rating level from time to time provided for in the Rating Agencies' criteria.

"**Eligible Investment**" means any investment denominated in Euro (unless a suitable hedging is in place) that has a maturity date falling, and which is redeemable at par together with accrued unpaid interest, no later than the next following Eligible Investment Liquidation Date and that is an obligation of a company incorporated in, or a sovereign issuer of, a Qualifying Country (as defined below), provided that in case of downgrade below such rating level the securities will be sold, if it could be achieved without a loss, otherwise the securities shall be allowed to mature ,and is one or more of the following obligations or securities (including, without limitation, any obligations or securities for which the Cash Manager or the Representative of the Bondholders or an affiliate of any of them provides services):

(i) direct obligations of any agency or instrumentality of a sovereign of a Qualifying Country, the obligations of which agency or instrumentality are unconditionally and irrevocably guaranteed in full by a Qualifying Country, a "Qualifying Country" being a country rated at the time of such investment or contractual commitment providing for such investment in such obligations, at least "AA-" or "F1+" by Fitch "Aa3" and "P-1" by Moody's and AA (low) or R-1 (middle) by DBRS;

(ii) demand and time deposits in, certificates of deposit of and bankers' acceptances issued by any depositary institution or trust company (including, without limitation, the English Account Bank and the Italian Account Bank) incorporated under the laws of a Qualifying Country with, in each case, a maturity of no more than 30 days (and in any case falling prior to the immediately following Eligible Investment Liquidation Date) and subject to supervision and examination by governmental banking authorities, provided that the commercial paper and/or the debt obligations of such depositary institution or trust company (or, in the case of the principal depositary institution in a holding company system, the commercial paper or debt obligations of such holding company) at the time of such investment or contractual commitment providing for such investment have a credit rating of at least "A" and "F1" by Fitch , "A2" and "P-1" by Moody's and with respect to DBRS rated according to the "DBRS A" table;

(iii) any security rated at least (A) "P-1" by Moody's, "A" and "F1" by Fitch and with respect to DBRS according to the DBRS A, if the relevant maturity is up to 30 calendar days, (B) "P-1" by Moody's "AA-" or "F1+" by Fitch and with respect to DBRS according DBRS B table, if the relevant maturity is up to 365 calendar days provided that, in all cases, the maximum aggregate total exposures in general to classes of assets with certain ratings by the Ratings Agencies will, if requested by any Rating Agencies, be limited to the maximum percentages specified by any such Rating Agencies;

(iv) any Top-Up Asset and/or Public Entity Securities and/or Asset Backed Securities, provided that, in all cases, such investments shall from time to time comply with Rating Agencies' criteria;

(v) subject to the rating of the Covered Bonds not being affected, unleveraged repurchase obligations with respect to: (1) commercial paper or other short-term obligations having, at the time of such investment, a credit rating of at least "AA-" or "F1+" by Fitch, "Aa3" and "P-1" by Moody's and a maturity of not more than 180 days from their date of issuance and with respect to DBRS, a credit rating of the counterparty according to the DBRS A and DBRS B tables; (2) off-shore money market funds rated, at all times, "AAA/V-1" by Fitch and "Aaa/MR1+" by Moody's and with respect to DBRS, a credit rating of the counterparty according to the tables DBRS A and DBRS B; and (3) any other investment similar to those described in paragraphs (1) and (2) above: (a) provided that any such other investment will not affect the rating of the Covered Bonds; and (b) which has the same rating as the investment described in paragraphs (1) and (2) above, provided that, (x) in any event, none of the Eligible Investments set out above may consist, in whole or in part, actually or potentially, of credit-linked notes or similar claims resulting from the transfer of credit risk by means of credit derivatives nor may any amount available to the Guarantor in the context of the Programme otherwise be invested in any such instruments at any time and (y) title to the securities underlying such repurchase transactions (in the period between the execution of the relevant repurchase transactions and their respective maturity) effectively passes (as confirmed by a non qualified legal opinion by a primary standing law firm) to the Issuer and the obligations of the relevant counterparty are not related to the performance of the underlying securities.

DBRS A Table:

Eligible Investments with a maturity up to 30 days: CB Rating	Eligible Investment Rating
AAA	A or R-1(middle)
AA (high)	A or R-1(middle)
AA	A or R-1(middle)
AA (low)	A or R-1(middle)
A (high)	BBB (high) or R-2 (high)
A	BBB or R-2 (middle)
A (low)	BBB (low) or R-2 (low)
BBB (high)	BBB (low) or R-2 (low)
BBB	BBB (low) or R-2 (low)

BBB (low)	BBB (low) or R-2 (low)
BB (high)	BB (high) or R-3
BB	BB or R-4
BB (low)	BB (low) or R-4

DBRS B Table

Maximum maturity	CB rated at least AA (low)	CB rated between A (high) and A (low)	CB rated BBB (high) and below
90 days	AA (low) or R-1 (middle)	A (low) or R-1 (low)	BBB (low) or R-2 (middle)
180 days	AA or R-1 (high)	A or R-1 (low)	BBB or R-2 (high)
365 days	AAA or R-1 (high)	A (high) or R-1 (middle)	BBB or R-2 (high)

"**Eligible Investment Date**" means, in respect of any investment in Eligible Investments made or to be made in accordance with the Programme Documents, any Business Day immediately after a Guarantor Payment Date.

"**Eligible Investment Liquidation Date**" means, in respect of any investment in Eligible Investments made or to be made in accordance with the Programme Documents, two Business Days before the Guarantor Calculation Date immediately following the relevant Eligible Investment Date.

"**Eligible Investments Securities Account**" means the securities account number 284175,31 opened in the name of the Guarantor with the Italian Account Bank or any other substitutive account that may be opened in accordance with the Cash Allocation, Management and Payments Agreement.

"**English Account Bank**" means Banca Monte dei Paschi di Siena S.p.A., acting through its London branch with offices at 6th Floor, Capital House 85, King William Street, London EC4N 7BL, United Kingdom.

"**English Account**" means each of the Main Programme Account and the Reserve Account, and "English Accounts" means all of them.

"**English Account Bank Agreement**" means the English Account Bank agreement entered on 18 June 2010 between, inter alios, the Issuer, the Guarantor, the Italian Account Bank, the English Account Bank and the Representative of the Bondholders, as amended from time to time.

"**EONIA**" means the weighted average of overnight Euro Interbank Offer Rates for inter-bank loans and for Euro currency deposits.

"**EU Insolvency Regulation**" means Council Regulation (EC) No. 1346/2000 of 29 May 2000.

"**EU Directive on the Reorganisation and Winding up of Credit Institutions**" means Directive 2001/2/EC of the European Parliament and of the Council of 4 April 2001 on the reorganisation and winding up of credit institutions.

"**EURIBOR**" (1) with respect to the Covered Bonds, has the meaning ascribed to it in the relevant Final Terms; and (2) with reference to each Loan Interest Period, means the rate denominated "Euro Interbank Offered Rate" (i) at 3 (three) months (provided that for the First Loan Interest Period, such rate will be calculated on the basis of the linear interpolation of 3-month Euribor and 4-month Euribor), published on Reuters' page "Euribor01" on the menu "Euribor" or (A) in the different page which may substitute the Reuters' page "Euribor01" on the menu "Euribor", or (B) in the event such page or such system is not available, on the page of a different system containing the same information that can substitute Reuters' page "Euribor01" on the menu "Euribor" (or, in the event such page is available from more than one system, in the one selected by the Representative of the Bondholders) (hereinafter, the "**Screen Rate**") at 11.00 a.m. (Brussels time) of the date of determination of Interest falling immediately before the beginning of such Loan Interest Period; or (ii) in the event that on any date of determination of Interest the Screen Rate is not published, the reference rate will be the arithmetic average (rounded off to three decimals) of the rates communicated to the Guarantor Calculation Agent, following request of such Guarantor Calculation Agent, by the Reference Banks at 11.00 a.m. (Brussels time) on the relevant date of determination of Interest and offered to other financial institutions of similar standing for a reference period similar to such Loan Interest Period; or (ii) in the event the Screen Rate is not available and only two or three Reference Banks communicate the relevant rate quotations to the Guarantor Calculation Agent, the relevant rate shall be determined, as described above, on the basis of the rate quotations provided by the Reference Banks; or (iv) in the event that the Screen Rate is not available and only one or no Reference Banks communicate such quotation to the Guarantor Calculation Agent, the relevant rate shall be the rate applicable to the immediately preceding period under sub-paragraphs (i) or (ii) above, provided that if the definition of Euribor is agreed differently in the context of the Asset Swap Agreement entered into by and between the Guarantor and an Asset Swap Provider in the context of the Programme, such definition will replace this definition.

"**Euro**", "**€**" and "**EUR**" refer to the single currency of member states of the EEA which adopt the single currency introduced in accordance with the Treaty.

"**Euro Equivalent**" means, in case of an issuance of Covered Bonds denominated in currency other than the Euro, an equivalent amount expressed in Euro calculated at the prevailing exchange rate.

"**Euroclear**" means Euroclear Bank S.A./N.V., with offices at 1 boulevard du Roi Albert II, B-1210 Brussels.

"**European Economic Area**" means the region comprised of member states of the EEA which adopt the Euro currency in accordance with the Treaty.

"**Excess Assets**" means, collectively, any Eligible Asset and Top-Up Asset forming part of the Cover Pool which are in excess for the purpose of satisfying the Tests.

"**Execution Date**" means (i) with respect to the assignment of the Initial Portfolio, the date falling on the date on which the Principal Seller receives from the Guarantor the letter of acceptance of the Master Assets Purchase Agreement, Master Servicing Agreement, Warranty and Indemnity Agreement and Subordinated Loan Agreement, and (ii) with respect to the assignment of each New Portfolio, the date on which each

of the Principal Seller or Additional Seller (if any) receives from the Guarantor the letter of acceptance of the relevant Transfer Proposal.

"**Expenses**" means any documented fees, costs, expenses and taxes required to be paid to any third party creditors (other than the Bondholders and the Other Guarantor Creditors) arising in connection with the Programme, and required to be paid in order to preserve the existence of the Guarantor or to maintain it in good standing, or to comply with applicable laws and legislation.

"**Expenses Account**" means the account denominated in Euro and opened on behalf of the Guarantor with the Italian Account Bank, IBAN IT 81 J 01030 12000 000000736131, or any other substitutive account that may be opened pursuant to the Cash Allocation, Management and Payments Agreement.

"**Extended Maturity Date**" means, in relation to a specific Series or Tranche of Covered Bonds, the date falling 38 years after the relevant Maturity Date.

"**Extension Determination Date**" means, with respect to each Series or Tranche of Covered Bonds, the date falling 4 calendar days after the Maturity Date of the relevant Series.

"**Final Redemption Amount**" means, in respect of any Series or Tranche of Covered Bonds, the principal amount of such Series.

"**Final Terms**" means, in relation to any issue of any Series or Tranche of Covered Bonds, the relevant terms contained in the applicable Programme Documents and, in case of any Series or Tranche of Covered Bonds to be admitted to listing, the final terms submitted to the appropriate listing authority on or before the Issue Date of the applicable Series or Tranche of Covered Bonds.

"**Financial Laws Consolidation Act**" means Italian Legislative Decree number 58 of 24 February 1998, as amended and supplemented from time to time.

"**First Interest Payment Date**" means the date specified in the relevant Final Terms.

"**First Issue Date**" means the Issue Date of the first Covered Bonds issued under the Programme.

"**First Loan Interest Period**" means, in relation to any Term Loan, the period starting on the relevant Drawdown Date (exclusive) and ending on the first following Guarantor Payment Date (inclusive).

"**First Series of Covered Bonds**" means the first Series of Covered Bonds issued by the Issuer in the context of the Programme.

"**First Tranche of Covered Bonds**" means if applicable the first Tranche of Covered Bonds issued by the Issuer in the context of the issuance of the First Series of Covered Bonds.

"**Fitch**" means Fitch Ratings Limited.

"**Fixed Coupon Amount**" has the meaning given in the relevant Final Terms.

"**Fixed Interest Term Loan**" means any Term Loan granted under the Subordinated Loan Agreement in respect of which a fixed rate Corresponding Interest applies as indicated in the relevant Term Loan Proposal and corresponding to the interest payable on the corresponding Series or Tranche of Covered Bonds.

"**Fixed Rate Provisions**" has the meaning set out in Condition 5 (*Fixed Rate Provisions*).

"**Floating Interest Term Loan**" means any Term Loan granted under the Subordinated Loan Agreement in respect of which a floating rate Corresponding Interest applies as indicated in the relevant Term Loan Proposal and corresponding to the interest payable on the corresponding Series or Tranche of Covered Bonds.

"**Floating Rate Provisions**" has the meaning given in the relevant Final Terms.

"**FSMA**" means the Financial Services and Markets Act 2000, as amended from time to time.

"**Guarantee**" means the guarantee granted by the Guarantor for the purpose of guaranteeing the payments owed by the Issuer to the Bondholders and to the Other Guarantor Creditors pursuant to Law 130, Decree No. 310 and the Bank of Italy Regulations.

"**Guarantee Enforcement Notice**" means the notice to be served by the Representative of the Bondholders upon occurrence of certain Issuer Events of Default as better specified in Condition 11.2 (Issuer Events of Default).

"**Guaranteed Amounts**" means the Redemption Amount, the Interest Amount and any other amounts due from time to time by the Issuer to the Bondholders with respect to each Series or Tranche of Covered Bonds, including, for avoidance of doubt and without double counting, any amount that have been already paid timely by (or on behalf of) the Issuer to the Bondholders, to the extent it was clawed-back thereafter by a bankruptcy receiver, liquidator or other duly appointed officer upon opening of any bankruptcy proceedings or other similar insolvency proceedings of the Issuer.

"**Guaranteed Obligations**" means the payment obligations with respect to the Guaranteed Amounts.

"**Guarantee Priority of Payments**" means the order of priority pursuant to which the Guarantor Available Funds shall be applied on each Guarantor Payment Date, following the delivery of a Guarantee Enforcement Notice and prior to the delivery of a Guarantor Default Notice, in accordance with the Intercreditor Agreement.

"**Guarantor**" means MPS Covered Bond S.r.l. acting in its capacity as guarantor pursuant to the Guarantee.

"**Guarantor's Accounts**" means, collectively, the Italian Collection Account, the Italian Securities Collection Account, the Main Programme Account, the Expenses Account, the Eligible Investments Securities Account and any other account opened in the context of the Programme with the exception of any Collateral Account(s) as defined pursuant to clause 7.4 of the Intercreditor Agreement.

"**Guarantor Available Funds**" means, collectively, the Interest Available Funds and the Principal Available Funds.

"**Guarantor Calculation Agent**" means Securitisation Services S.p.A. or any other entity acting in such capacity pursuant to the terms of the Cover Pool Management Agreement.

"**Guarantor Calculation Date**" means the date falling on the 22th calendar day of March, June, September and December, or, if such day is not a Business Day, the immediately succeeding Business Day.

"**Guarantor Corporate Servicer**" means Securitisation Services S.p.A. or any other entity acting in such capacity pursuant to the terms of the Corporate Services Agreement.

"**Guarantor Default Notice**" means the notice to be served by the Representative of the Bondholders in case of a Guarantor Event of Default.

"**Guarantor Event of Default**" has the meaning given to it in the Terms and Conditions of the Covered Bonds.

"**Guarantor Payment Date**" means (a) prior to the delivery of a Guarantor Default Notice, the date falling 5 Business Days after the Guarantor Calculation Date of March, June, September and December or, if such day is not a Business Day, the immediately following Business Day; and (b) following the delivery of a Guarantor Default Notice, any day on which any payment is required to be made by the Representative of the Bondholders in accordance with the Post-Enforcement Priority of Payments, the relevant Terms and Conditions and the Intercreditor Agreement.

"**IFRS**" means international financial reporting and accounting standards issued by the International Accounting Standards Board (IASB).

"**Individual Purchase Price**" means:

(i) with respect to each Receivable transferred pursuant to the Master Assets Purchase Agreements, the most recent book value (*ultimo valore di iscrizione in bilancio*) of the relevant Receivable:

(A) *minus* the aggregate amount of (1) the accrued interest obtained at the date of the last financial statement with reference to such Receivable and included in such book value; and (2) any collections with respect to principal received by the relevant Seller with respect to such Receivable, starting from the date of the most recent financial statement (*ultimo bilancio*) until the relevant Valuation Date (included); and

(B) increased of the aggregate amount of the Accrued Interest with respect to such Receivable obtained at the relevant Valuation Date;

(ii) such other value, pursuant to article 7-bis, sub-paragraph 7, of Law 130, as indicated by the Principal Seller (or each Additional Seller, if any) in the

relevant Transfer Proposal (also with respect to any further Eligible Assets different from the Receivables or any Top-Up Assets).

"**Initial Portfolio**" means the first portfolio of Receivables and related Security Interests purchased by the Guarantor pursuant to the Master Assets Purchase Agreement.

"**Initial Portfolio Purchase Price**" means the consideration paid by the Guarantor to the Principal Seller for the transfer of the Initial Portfolio, calculated in accordance with clause 5.1 of the Master Assets Purchase Agreement.

"**Insolvency Event**" means in respect of any company, entity or corporation that:

(i) such company, entity or corporation has become subject to any applicable bankruptcy, liquidation, administration, insolvency, composition or reorganisation (including, without limitation, "*fallimento*", "*liquidazione coatta amministrativa*", "*concordato preventivo*" and "*amministrazione straordinaria*", each such expression bearing the meaning ascribed to it by the laws of the Republic of Italy, and including the seeking of liquidation, winding-up, reorganisation, dissolution, administration) or similar proceedings or the whole or any substantial part of the undertaking or assets of such company, entity or corporation are subject to a *pignoramento* or any procedure having a similar effect (other than in the case of the Guarantor, any portfolio of assets purchased by the Guarantor for the purposes of further programme of issuance of Covered Bonds), unless in the opinion of the Representative of the Bondholders, (who may in this respect rely on the advice of a legal adviser selected by it), such proceedings are being disputed in good faith with a reasonable prospect of success; or

(ii) an application for the commencement of any of the proceedings under (i) above is made in respect of or by such company, entity or corporation or such proceedings are otherwise initiated against such company, entity or corporation and, in the opinion of the Representative of the Bondholders (who may in this respect rely on the advice of a legal adviser selected by it), the commencement of such proceedings are not being disputed in good faith with a reasonable prospect of success; or

(iii) such company, entity or corporation takes any action for a re-adjustment of deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors (other than, in case of the Guarantor, the creditors under the Programme Documents) or is granted by a competent court a moratorium in respect of any of its indebtedness or any guarantee of any indebtedness given by it or applies for suspension of payments (other than, in respect of the Issuer, the issuance of a resolution pursuant to Article 74 of the Consolidated Banking Act); or

(iv) an order is made or an effective resolution is passed for the winding-up, liquidation or dissolution in any form of such company, entity or corporation or any of the events under article 2448 of the Civil Code occurs with respect to such company, entity or corporation (except in any such case a winding-up or other proceeding for the purposes of or pursuant to a solvent amalgamation or

reconstruction, the terms of which have been previously approved in writing by the Representative of the Bondholders); or

(v) such company, entity or corporation becomes subject to any proceedings equivalent or analogous to those above under the law of any jurisdiction in which such company or corporation is deemed to carry on business; or

(vi) such company, entity or corporation becomes subject to any proceedings resulting from the implementation of directive 2014/59/UE of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms (the "**Bank Recovery and Resolution Directive**").

"**Instalment**" means with respect to each Mortgage Loan Agreement, each instalment due from the relevant Debtor thereunder and which consists of an Interest Instalment and a Principal Instalment.

"**Instalment Amount**" has the meaning set out in condition 8(h).

"**Insurance Policies**" means (i) each insurance policy taken out with the insurance companies in relation to each Real Estate Asset and each Mortgage Loan or (ii) any possible "umbrella" insurance policy in relation to the Real Estate Assets which have lost their previous relevant insurance coverage.

"**Intercreditor Agreement**" means the intercreditor agreement entered on 18 June 2010 between, inter alios, the Guarantor and the Other Guarantor Creditors, as amended from time to time.

"**Interest Amount**" means, in relation to any Series or Tranche of Covered Bonds and an Interest Period, the amount of interest payable in respect of that Series or Tranche for that Interest Period.

"**Interest Available Funds**" means in respect of any Guarantor Payment Date, the aggregate of:

(i) any interest amounts collected by the Servicer in respect of the Cover Pool and credited into the Main Programme Account during the immediately preceding Collection Period;

(ii) all recoveries in the nature of interest received by the Servicer and credited to the Main Programme Account during the immediately preceding Collection Period;

(iii) all amounts of interest accrued (net of any withholding or expenses, if due) and paid on the Programme Accounts during the immediately preceding Collection Period;

(iv) any amounts standing to the credit of the Reserve Account in excess of the Required Reserve Amount, and following the service of a Guarantee Enforcement Notice, on the Guarantor, any amounts standing to the credit of the Reserve Account;

(v) any interest amounts standing to the credit of the Programme Accounts;

(vi) all interest amounts received from the Eligible Investments;

(vii) subject to item (ix) below, any amounts received under the Asset Swap Agreement and the Covered Bond Swap Agreement,

provided that, prior to the occurrence of a Guarantor Event of Default, any such amounts received on or after such Guarantor Payment Date (included) but prior to the next following Guarantor Payment Date (excluded) will be applied, together with any provision for such payments made on any preceding Guarantor Calculation Date, (i) to make payments in respect of interest due and payable, *pro rata* and *pari passu* in respect of each relevant Covered Bond Swap Agreement or, as the case may be, (ii) to make payments in respect of interest due on the Covered Bonds under the Guarantee, *pari passu* and *pro rata* in respect of each relevant Series or Tranche of Covered Bonds, or (iii) to make provision for the payment of such relevant proportion of such amounts to be paid on any other day up to the immediately following Guarantor Payment Date, as the Guarantor Calculation Agent may reasonably determine, or otherwise;

(viii) subject to item (ix) below, any amounts received under the Covered Bond Swap Agreements other than any Swap Collateral Excluded Amounts;

(ix) any swap termination payments received from a Swap Provider under any Swap Agreement;

provided that, prior to the occurrence of a Guarantor Event of Default, such amounts will be, to the extent permitted by the relevant Swap Agreement, net of any cost necessary to replace the swap provider and find an eligible swap counterparty to enter into a replacement swap agreement;

(x) all interest amounts received from the Principal Seller (or any Additional Seller, if any) by the Guarantor pursuant to the Master Assets Purchase Agreement during the immediately preceding Collection Period;

(xi) any amounts paid as Interest Shortfall Amount out of item (First) of the Pre-Issuer Default Principal Priority of Payments; and

(xii) any amounts (other than the amounts already allocated under other items of the Guarantor Available Funds) received by the Guarantor from any party to the Programme Documents during the immediately preceding Collection Period.

"**Interest Commencement Date**" means the Issue Date of the relevant Series or Tranche of Covered Bonds or such other date as may be specified as the Interest Commencement Date in the relevant Final Terms.

"**Interest Coverage Test**" has the meaning as indicated pursuant to clause 2.4 of the Cover Pool Management Agreement.

"**Interest Determination Date**" has the meaning given in the relevant Final Terms.

"**Interest Instalment**" means the interest component of each Instalment.

"**Interest Payment Date**" means the First Interest Payment Date and any date or dates specified as such in, or determined in accordance with the provisions of, the relevant Final Terms and, if a Business Day Convention is specified in the relevant Final Terms:

(i) as the same may be adjusted in accordance with the relevant Business Day Convention; or

(ii) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Final Terms as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case).

"**Interest Period**" means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date.

"**Interest Shortfall Amount**" means, on any Guarantor Payment Date, an amount equal to the difference, if positive, between (a) the aggregate amounts payable (but for the operation of clause 13 (*Enforcement of Security, Non Petition and Limited Recourse*) of the Intercreditor Agreement) under items First to Fifth of the Pre-Issuer Default Interest Priority of Payments; and (b) the Interest Available Funds (net of such Interest Shortfall Amount) on such Guarantor Payment Date.

"**ISDA Definitions**" has the meaning given in the relevant Final Terms.

"**ISDA Determination**" has the meaning given in the relevant Final Terms.

"**Issue Date**" means each date on which a Series or Tranche of Covered Bonds is issued.

"**Issuer**" means BMPS.

"**Issuer Event of Default**" has the meaning given to it in the Terms and Conditions of the Covered Bonds.

"**Issuer Default Notice**" means the notice to be served by the Representative of the Bondholders to upon occurrence of certain Issuer Event of Default as better specified in Condition 11.2 (*Issuer Events of Default*).

"**Istruzioni di Vigilanza**" means the regulations for banks issued by the Bank of Italy on 21 April 1999 with Circular No. 229, as subsequently amended and supplemented.

"**Istruzioni di Vigilanza per gli Intermediari Finanziari**" means the regulations for financial intermediaries issued by the Bank of Italy on 5 August 1996 with circular number 216, as subsequently amended and supplemented.

"**Italian Account Bank**" means BMPS in its capacity as Italian account bank pursuant to the Cash Allocation, Management and Payments Agreement.

"**Italian Account Bank Report**" means the report produced by the Italian Account Bank pursuant to the Cash Allocation, Management and Payments Agreement.

"**Italian Account**" means each of the Italian Collection Account, the Italian Securities Collection Account, the Payments Account, the Expenses Account and the Eligible Investments Securities Account, and "Italian Accounts" means all of them.

"**Italian Back-Up Account Bank**" means The Bank of New York Mellon (Luxembourg) S.A., Italian Branch or any other entity appointed to act as such pursuant to the Cash Allocation, Management and Payments Agreement.

"**Italian Collection Account**" means any of the account denominated in Euro opened in the name of the Guarantor and held by the Italian Account Bank for the deposit of any amount of the Collections of the Portfolios number 000008417530 (IBAN: IT 27 S 01030 14200 000008417530) and any other account which may be opened by the Guarantor if a bank part of the Montepaschi Group will accede the Programme in its capacity as Additional Seller and Additional Servicer, for the deposit of the collections of the Portfolios transferred by such bank, in its capacity as Additional Seller, to the Guarantor, or any other substitutive account which may be opened by the Guarantor pursuant to the Cash Allocation, Management and Payments Agreement.

"**Italian Securities Collection Account**" means any of the securities account opened in the name of the Guarantor and held by the Italian Account Bank for the deposit of the Asset Backed Securities number 184175,79 and any other account which may be opened by the Guarantor if a bank part of the Montepaschi Group will accede the Programme in its capacity as Additional Seller and Additional Servicer, for the deposit of the Asset Backed Securities transferred by such bank, in its capacity as Additional Seller, to the Guarantor, or any other substitutive account which may be opened by the Guarantor pursuant to the Cash Allocation, Management and Payments Agreement.

"**Joint-Arrangers**" means, collectively, Morgan Stanley & Co. International plc BMPS, and The Royal Bank of Scotland plc.

"**Joint Regulation**" means the joint regulation of CONSOB and the Bank of Italy dated 22 February 2008 and published in the Official Gazette No. 54 of 4 March 2008, as subsequently amended and supplemented from time to time.

"**Law 130**" means Italian Law No. 130 of 30 April 1999 as the same may be amended, modified or supplemented from time to time.

"**Loan Interest**" means any of the Base Interest or the Corresponding Interest, as calculated in the Subordinated Loan Agreement.

"**Loan Interest Period**" means, in relation to any Term Loan: (i) the relevant First Loan Interest Period; and thereafter (ii) each period starting on a Guarantor Payment Date (excluded) and ending on the following Guarantor Payment Date (included).

"**Main Programme Account**" means the account denominated in Euro opened in the name of the Guarantor and held by the English Account Bank, number 50456002 (IBAN GB58 PASC 4051 6850 4560 02), or any other substitutive account which may be opened by the Guarantor pursuant to the Cash Allocation, Management and Payments Agreement.

"**Mandate Agreement**" means the mandate agreement entered on 18 June 2010 between the Guarantor and the Representative of the Bondholders.

"**Mandatory Tests**" means the tests provided for under article 3 of Decree No. 310 as calculated pursuant to the Cover Pool Management Agreement.

"**Margin**" has the meaning set out to the term "**Margine**" in the Subordinated Loan Agreement.

"**Master Assets Purchase Agreement**" means the master assets purchase agreement entered on 25 May 2010 between the Guarantor, the Principal Seller and, following accession to the Programme, each Additional Seller, as amended from time to time.

"**Master Definitions Agreement**" means the master definitions agreement entered into on or about 18 June 2010 between the parties of the Programme Documents, as amended from time to time.

"**Master Servicing Agreement**" means the master servicing agreement entered on 25 May 2010 between the Guarantor, the Principal Servicer and, following accession to the Programme, each Additional Servicer, as amended from time to time.

"**Maturity Date**" means each date on which final redemption payments for a Series or Tranche of Covered Bonds become due in accordance with the Final Terms but subject to it being extended to the Extended Maturity Date.

"**Maximum Rate of Interest**" means has the meaning given in the relevant Final Terms.

"**Maximum Redemption Amount**" means has the meaning given in the relevant Final Terms.

"**Meetings**" has the meaning ascribed to such term in the Rules of the Organisation of the Bondholders.

"**Minimum DBRS Rating**":

Highest Rating Assigned to Rated Securities	Minimum Instruction Rating
AAA (sf)	"A"
AA (high) (sf)	"A"
AA (sf)	"A"
AA (low) (sf)	"A"
A (high) (sf)	BBB (high)
A (sf)	BBB
A (low) (sf)	BBB (low)
BBB (high) (sf)	BBB (low)

BBB (sf)	BBB (low)
BBB (low) (sf)	BBB (low)

"**Minimum Rate of Interest**" has the meaning given in the relevant Final Terms.

"**Minimum Redemption Amount**" has the meaning given in the relevant Final Terms.

"**Montepaschi Group**" means, together, the banks and other companies belonging from time to time to the banking group "Gruppo Montepaschi", enrolled with the register of banking groups held by the Bank of Italy pursuant to article 64 of the Consolidated Banking Act.

"**Monte Titoli**" means Monte Titoli S.p.A..

"**Monte Titoli Account Holders**" means any authorised financial intermediary institution entitled to hold accounts on behalf of its customers with Monte Titoli (as *intermediari aderenti*) in accordance with article 30 of Decree No. 213 and includes any depositary banks approved by Clearstream and Euroclear.

"**Monthly Collection Period**" means (a) each period commencing on (and including) a Collection Date and ending on (but excluding) the following Collection Date; and (b) in the case of the first Monthly Collection Period, the period commencing on (and including) the Valuation Date and ending on (and including) the last calendar day of the month immediately preceding the first Guarantor Payment Date.

"**Monthly Servicer's Report**" means, with reference to the Principal Servicer the monthly report prepared by the Principal Servicer and with reference to any Additional Servicer, the monthly report prepared by any Additional Servicer pursuant to the Master Servicing Agreement.

"**Monthly Servicer's Report Date**" means (i) prior to the delivery of a Guarantor Default Notice, the date falling on the 15th calendar day of each month or, if such day is not a Business Day, the immediately preceding Business Day and (b) following the delivery of a Guarantor Default Notice, such date as may be indicated by the Representative of the Bondholders.

"**Moody's**" means Moody's Investors Service Limited.

"**Mortgage**" means the mortgage security interests (*ipoteche*) created on the Real Estate Assets pursuant to Italian law in order to secure claims in respect of the Receivables.

"**Mortgage Loan**" means a Residential Mortgage Loan, the claims in respect of which have been and/or will be transferred by the Seller to the Guarantor pursuant to the Master Assets Purchase Agreement.

"**Mortgage Loan Agreement**" means any residential mortgage loan agreement out of which the Receivables arise.

"**Mortgagor**" means any person, either a borrower or a third party, who has granted a Mortgage in favour of the relevant Seller to secure the payment or repayment of any amounts payable in respect of a Mortgage Loan, and/or his/her successor in interest.

"**Negative Carry Factor**" is a percentage calculated by reference to the weighted average margin of the Covered Bonds and will, in any event, be not less than 0.5 per cent.

"**Net Present Value Test**" has the meaning as indicated pursuant to clause 2.3 of the Cover Pool Management Agreement.

"**New Portfolio**" means any portfolio of Assets (other than the Initial Portfolio) which may be purchased by the Guarantor pursuant to the terms and subject to the conditions of the Master Assets Purchase Agreement.

"**New Portfolio Purchase Price**" means the consideration which the Guarantor shall pay to the relevant Seller for the transfer of each New Portfolio in accordance with the Master Assets Purchase Agreement and equal to the aggregate amount of the Individual Purchase Price of all the relevant Assets included in the relevant New Portfolio.

"**Nominal Value Test**" has the meaning as indicated pursuant to clause 2.2 of the Cover Pool Management Agreement.

"**Non-Performing Asset**" means, collectively, the Defaulted Receivables, the Delinquent Receivables and any Defaulted Asset Backed Securities.

"**Notice**" means any notice delivered under or in connection with any Programme Document.

"**Obligations**" means all the obligations of the Guarantor created by or arising under the Programme Documents.

"**Optional Redemption Amount (Call)**" has the meaning given in the relevant Final Terms.

"**Optional Redemption Amount (Put)**" has the meaning given in the relevant Final Terms.

"**Optional Redemption Date (Call)**" has the meaning given in the relevant Final Terms.

"**Optional Redemption Date (Put)**" has the meaning given in the relevant Final Terms.

"**Organisation of the Bondholders**" means the association of the Bondholders, organised pursuant to the Rules of the Organisation of the Bondholders.

"**Other Guarantor Creditors**" means the Principal Seller and each Additional Seller, if any, the Principal Servicer and each Additional Servicer, if any, the Back-up Servicer, the Principal Subordinated Lender and each Additional Subordinated Lender, if any, the Guarantor Calculation Agent, the Pre-Issuer Default Test Calculation

Agent, the Post-Issuer Default Test Calculation Agent, the Representative of the Bondholders, the Asset Monitor, the Asset Swap Provider, the Covered Bond Swap Providers, the Italian Account Bank, the Back-Up Account Bank, the English Account Bank, the Principal Paying Agent, the Paying Agent(s), the Luxembourg Listing and Paying Agent, the Guarantor Corporate Servicer and the Portfolio Manager (if any).

"**Outstanding Principal Balance**" means any Principal Balance outstanding in respect of any asset included in the Cover Pool.

"**Pass Through Series**" means:

(A) any Series of Covered Bonds in respect of which:

(i) the Issuer has failed to repay in whole or in part the relevant Final Redemption Amount on the applicable Maturity Date and a Guarantee Enforcement Notice has been served on the Guarantor; and

(ii) the Guarantor has insufficient moneys available under the relevant Priority of Payments to pay the Guaranteed Amounts corresponding to the Final Redemption Amount in respect of such Series of Covered Bonds on the relevant Extension Determination Date;

(B) all Series of Covered Bonds if a Guarantee Enforcement Notice has been delivered (and, in case of a Guarantee Enforcement Notice delivered as result of an Article 74 Event, prior to the delivery of an Article 74 Event Cure Notice) and a breach of the Amortisation Test has occurred.

"**Paying Agent**" means the Principal Paying Agent and each other paying agent appointed from time to time under the terms of the Cash Allocation, Management and Payments Agreement.

"**Payment Business Day**" means a day on which banks in the relevant Place of Payment are open for payment of amounts due in respect of debt securities and for dealings in foreign currencies and any day which is:

(i) if the currency of payment is euro, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or

(ii) if the currency of payment is not euro, a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre.

"**Payments Account**" means the account denominated in Euro that will be opened in the name of the Guarantor and held with the Payments Account Bank or any other substitutive account which may be opened pursuant to the Cash Allocation, Management and Payments Agreement.

"**Payments Report**" means the report to be prepared and delivered by the Guarantor Calculation Agent pursuant to the Cash Allocation, Management and Payments Agreement.

"**Place of Payment**" means, in respect of any Bondholders, the place at which such Bondholder receives payment of interest or principal on the Covered Bonds.

"**Portfolio**" means collectively the Initial Portfolio and any other New Portfolios which has been purchased and which will be purchased by the Guarantor in accordance with the terms of the Master Assets Purchase Agreement.

"**Portfolio Manager**" means the subject appointed as portfolio manager pursuant to the Cover Pool Management Agreement or any other entity acting in such capacity pursuant to the Cover Pool Management Agreement.

"**Post-enforcement Priority of Payments**" means the order of priority pursuant to which the Guarantor Available Funds shall be applied on each Guarantor Payment Date, following the delivery of a Guarantor Default Notice, in accordance with the Intercreditor Agreement.

"**Post-Issuer Default Test Calculation Agent**" means Securitisation Services S.p.A..

"**Post-Issuer Default Test Performance Report**" means, on each Test Calculation Date and Quarterly Test Calculation Date during the period after the service of a Guarantee Enforcement Notice, the relevant report prepared by the Post-Issuer Default Test Calculation Agent setting out the calculations carried out by it with respect of the relevant Tests and specifying whether any of such Tests was not met.

"**Pre-Issuer Default Test Calculation Agent**" means BMPS.

"**Pre-Issuer Default Interest Priority of Payments**" means the order of priority pursuant to which the Interest Available Funds shall be applied on each Guarantor Payment Date, prior to the delivery of a Guarantee Enforcement Notice, in accordance with the Intercreditor Agreement.

"**Pre-Issuer Default Principal Priority of Payments**" means the order of priority pursuant to which the Principal Available Funds shall be applied on each Guarantor Payment Date, prior to the delivery of a Guarantee Enforcement Notice, in accordance with the Intercreditor Agreement.

"**Pre-Issuer Default Test Performance Report**" means, on each Test Calculation Date and Quarterly Test Calculation Date prior to the service of a Guarantee Enforcement Notice, the relevant report prepared by the Post-Issuer Default Test Calculation Agent setting out the calculations carried out by it with respect of the relevant Tests and specifying whether any of such Tests was not met.

"**Premium**" means, on each Guarantor Payment Date, an amount payable by the Guarantor on each Programme Term Loan in accordance with the relevant Priority of Payments and equal to the Guarantor Available Funds as at such date, after all amounts payable in priority thereto have been made in accordance with the relevant Priority of Payments.

"**Principal Amount Outstanding**" means, on any day: (a) in relation to a Covered Bond, the principal amount of that Covered Bond upon issue less the aggregate amount of any principal payments in respect of that Covered Bond which have become due and payable (and been paid) on or prior to that day; and (b) in relation to

the Covered Bonds outstanding at any time, the aggregate of the amount in (a) in respect of all Covered Bonds outstanding.

"**Principal Available Funds**" means in respect of any Guarantor Payment Date, the aggregate of:

(i) all principal amounts collected by the Servicer in respect of the Cover Pool and credited to the Main Programme Account of the Guarantor during the immediately preceding Collection Period;

(ii) all other recoveries in respect of principal received by the Principal Servicer (and any Additional Seller, if any) and credited to the Main Programme Account of the Guarantor during the immediately preceding Collection Period;

(iii) all principal amounts received by the Guarantor from the Seller pursuant to the Master Assets Purchase Agreement during the immediately preceding Collection Period;

(iv) the proceeds of any disposal of Assets and any disinvestment of Assets or Eligible Investments;

(v) any amounts granted by the Seller under the Subordinated Loan Agreement and not used to fund the payment of the Purchase Price for any Eligible Assets and/or Top-Up Asset;

(vi) all amounts in respect of principal (if any) received under any Swap Agreements other than any Swap Collateral Excluded Amounts;

(vii) any amounts paid out of item Ninth of the Pre-Issuer Default Interest Priority of Payments; and

(viii) any principal amounts standing to the credit of the Programme Accounts.

"**Principal Balance**" means:

(i) for any Mortgage Loan as at any given date, the aggregate of: (a) the original principal amount advanced to the relevant Debtor and any further amount advanced on or before the given date to the relevant Debtor secured or intended to be secured by the related Security Interest; and (b) any interest, disbursement, legal expense, fee, charge, rent, service charge, premium or payment which has been properly capitalised in accordance with the relevant Mortgage Loan or with the relevant Debtor's consent and added to the amounts secured or intended to be secured by that Mortgage Loan; and (c) any other amount (including, for the avoidance of doubt, Accrued Interest and interest in arrears) which is due or accrued (whether or not due) and which has not been paid by the relevant Debtor and has not been capitalised, as at the end of the Business Day immediately preceding that given date less any repayment or payment of any of the foregoing made on or before the end of the Business Day immediately preceding that given date;

(ii) for any Asset Backed Security as at any given date, the principal amount outstanding of that Asset Backed Security (plus any accrued but unpaid

interest thereon).

"**Principal Instalment**" means the principal component of each Instalment.

"**Principal Financial Centre**" means, in relation to any currency, the principal financial centre for that currency provided, however, that in relation to Euro, it means the principal financial centre of such Member State of the European Communities as is selected (in the case of a payment) by the payee.

"**Principal Paying Agent**" means The Bank of New York Mellon in its capacity as Paying Agent pursuant to the Cash Allocation, Management and Payments Agreement or any other entity acting in such capacity pursuant to the Cash Allocation, Management and Payments Agreement.

"**Principal Seller**" means BMPS.

"**Principal Servicer**" means BMPS.

"**Principal Subordinated Lender**" means BMPS in its capacity as Subordinated Lender pursuant to the relevant Subordinated Loan Agreement.

"**Priority of Payments**" means each of the orders in which the Guarantor Available Funds shall be applied on each Guarantor Payment Date in accordance with the Intercreditor Agreement.

"**Privacy Law**" means Italia Law number 675 of 1996, as subsequently amended and supplemented.

"**Programme**" means the programme for the issuance of each series of Covered Bonds (*Obbligazioni Bancarie Garantite*) by the Issuer in accordance with article 7-bis of Law 130.

"**Programme Accounts**" means, collectively, the Italian Accounts and the English Accounts and any other account opened from time to time in connection with the Programme.

"**Programme Agreement**" means the programme agreement entered on 18 June 2010 between, inter alios, the Guarantor, the Principal Seller, the Issuer, the Representative of the Bondholders and the Dealers, as amended from time to time.

"**Programme Documents**" means the Master Assets Purchase Agreement, the Master Servicing Agreement, the Warranty and Indemnity Agreement, the Cash Allocation, Management and Payments Agreement, the Cover Pool Management Agreement, the Programme Agreement, the Intercreditor Agreement, each Subordinated Loan Agreement, the Asset Monitor Agreement, the Guarantee, the Corporate Services Agreement, the Swap Agreements, the Mandate Agreement, the English Account Bank Agreement, the Quotaholders' Agreement, the Prospectus, the Terms and Conditions, the Deed of Pledge, the Master Definitions Agreement, any Final Terms agreed in the context of the issuance of each Series or Tranche of Covered Bonds and any other agreement entered into in connection with the Programme.

"**Programme Limit**" means €10,000,000,000.

"**Programme Term Loan**" means any Term Loan granted under the Subordinated Loan Agreement in respect of which the Base Interest applies pursuant to terms of the relevant Subordinated Loan Agreement.

"**Prospectus**" means the base prospectus prepared in the context of the issuance of the Covered Bonds.

"**Prospectus Directive**" means Directive 2003/71/EC of 4 November 2003, as subsequently amended and supplemented.

"**Prudential Regulations**" means the prudential regulations for banks issued by the Bank of Italy on 27 December 2006 with Circular No. 263, as subsequently amended and supplemented.

"**Public Entity Receivables**" means, pursuant to article 2, sub-paragraph 1, of Decree No. 310, any receivables owned by or receivables which have been benefit of a guarantee eligible for credit risk mitigation granted by public entities.

"**Public Entity Securities**" means pursuant to article 2, sub-paragraph 1, of Decree No. 310, any securities issued by or which have benefit of a guarantee eligible for credit risk mitigation granted by public entities.

"**Purchase Price**" means, as applicable, the consideration for the Initial Portfolio Purchase Price or the consideration for the New Portfolio Purchase Price pursuant to the Master Assets Purchase Agreement.

"**Put Option**" has the meaning given in the relevant Final Terms.

"**Put Option Notice**" means a notice in the form obtainable from the Principal Paying Agent which must be delivered to the Principal Paying Agent by any Bondholder wanting to exercise a right to redeem Covered Bonds at the option of the Bondholders.

"**Put Option Receipt**" means a receipt issued by the Principal Paying Agent to a Bondholder having deposited a Put Option Notice.

"**Quarterly Collection Period**" means (a) prior to the service of a Guarantor Default Notice, each period commencing on (and including) the Collection Dates in December, March, June and September and ending on (but excluding), respectively, the Collection Dates in March, June, September and December; (b) following the service of a Guarantor Default Notice, each period commencing on (and including) the last day of the preceding Quarterly Collection Period and ending on (but excluding) the date falling 10 calendar days prior to the next following quarterly Collection Date.

"**Quarterly Servicer's Report**" with reference to the Principal Servicer the quarterly report prepared by the Principal Servicer and with reference to any Additional Servicer, the quarterly report prepared by any Additional Servicer pursuant to the Master Servicing Agreement.

"**Quarterly Servicer's Report Date**" means (a) prior to the delivery of a Guarantor Default Notice, the Monthly Servicer's Report Date falling in March, June, September and December of each year or, if such day is not a Business Day, the immediately

preceding Business Day; and (b) following the delivery of a Guarantor Default Notice, such date as may be indicated by the Representative of the Bondholders.

"**Quarterly Test Calculation Date**" means the Test Calculation Date falling in March, June, September and December, of each year or, if such day is not a Business Day, the immediately preceding Business Day.

"**Quota Capital**" means the quota capital of the Guarantor.

"**Quota Capital Account**" means the account denominated in Euro opened in the name of the Guarantor with Banca Antonveneta, Conegliano, Agenzia 1, IBAN IT 32 I 05040 61621 000001228269 for the deposit of the Quota Capital.

"**Quotaholder**" means BMPS and any other quotaholder of the Guarantor.

"**Quotaholders' Agreement**" means the Quotaholders' agreement entered on 18 June 2010 between, inter alios, the Guarantor and the Quotaholders.

"**Rate of Exchange**" has the meaning set out in the relevant Final Terms.

"**Rate of Interest**" means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Series or Tranche of Covered Bonds specified in the relevant Final Terms or calculated or determined in accordance with the provisions of these Conditions and/or the relevant Final Terms.

"**Rating Agencies**" means Fitch, Moody's and DBRS.

"**Real Estate Assets**" means the real estate properties which have been mortgaged in order to secure the Receivables.

"**Receivables**" means specifically each and every right arising under the Mortgage Loans pursuant to the law and the Mortgage Loan Agreements, including but not limited to:

(i) all rights and claims in respect of the repayment of the Principal Instalments due and not paid at the Valuation Date (excluded);

(ii) all rights and claims in respect of the payment of interest (including the default interest) accruing on the Mortgage Loans, which are due from (but excluding) the Valuation Date;

(iii) the Accrued Interest;

(iv) all rights and claims in respect of each Mortgage and any Collateral Security relating to the relevant Mortgage Loan Agreement;

(v) all rights and claims under and in respect of the Insurance Policies; and

(vi) any privileges and priority rights (*diritti di prelazione*) transferable pursuant to the law, as well as any other right, claim or action (including any legal proceeding for the recovery of suffered damages, the remedy of termination (*risoluzione per inadempimento*) and the declaration of acceleration of the

debt (*decadenza dal beneficio del termine*) with respect to the Debtors) and any substantial and procedural action and defence, including the remedy of termination (*risoluzione per inadempimento*) and the declaration of acceleration of the debt (*decadenza dal beneficio del termine*) with respect to the Debtors, inherent in or ancillary to the aforesaid rights and claims;

excluding any expenses for the correspondence and any expenses connected to the ancillary services requested by the relevant Debtor.

"**Recoveries**" means any amounts received or recovered by the Servicer in relation to any Defaulted Receivables and any Delinquent Receivables.

"**Redemption Amount**" means, as appropriate, the Final Redemption Amount, the Early Redemption Amount (Tax), the Optional Redemption Amount (Call), the Optional Redemption Amount (Put), the Early Termination Amount (as any such terms are defined in the Conditions) or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the provisions of, the relevant Final Terms.

"**Reference Banks**" (A) with respect to the Covered Bonds, has the meaning ascribed to it in the relevant Final Terms or, if none, four major banks selected by the Principal Paying Agent in the market that is most closely connected with the Reference Rate; and, (B) with respect to the Subordinated Loan Agreement, means four financial institutions of the greatest importance, acting on the interbank market of the member states of the EEA, as selected by the Principal Subordinated Lender and communicated to the Guarantor Calculation Agent.

"**Reference Price**" has the meaning given in the relevant Final Terms.

"**Reference Rate**" has the meaning ascribed to it in the relevant Final Terms.

"**Regular Period**" means:

(i) in the case of Covered Bonds where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;

(ii) in the case of Covered Bonds where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "Regular Date" means the day and month (but not the year) on which any Interest Payment Date falls; and

(iii) in the case of Covered Bonds where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "Regular Date" means the day and month (but not the year) on which any Interest Payment Date falls

other than the Interest Payment Date falling at the end of the irregular Interest Period.

"**Relevant Clearing System**" means Euroclear and/or Clearstream, Luxembourg and/or any other clearing system (other than Monte Titoli) specified in the relevant Final Terms as a clearing system through which payments under the Covered Bonds may be made.

"**Relevant Financial Centre**" has the meaning given in the relevant Final Terms.

"**Relevant Screen Page**" means the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in the relevant Final Terms, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate.

"**Relevant Time**" has the meaning given in the relevant Final Terms.

"**Representative of the Bondholders**" means BNY Mellon Corporate Trustee Services Limited or any other entity acting in such capacity pursuant to the Programme Documents.

"**Required Redemption Amount**" means (i) to the extent that no Series of Covered Bonds have become Pass Through Series, the Euro Equivalent of the Principal Amount Outstanding in respect of the Earliest Maturing Covered Bonds, multiplied by (1 + Negative Carry Factor x (days to maturity of the relevant Series or Tranche of Covered Bonds/365)) and thereafter (ii) zero.

"**Required Reserve Amount**" means the aggregate of the amounts calculated by the Guarantor Calculation Agent on each Guarantor Calculation Date, in accordance with the following formula: **A plus**

- **B**, if BMPS is the Covered Bond Swap Provider under the relevant Covered Bond Swap Agreement, or if no Covered Bond Swap Agreement has been entered into with respect to the relevant Series of Covered Bonds; and

- **C**, if BMPS is not the Covered Bond Swap Provider under the relevant Covered Bond Swap Agreement, where

"**A**" is the sum of all the amounts to be paid by the Guarantor on the next following Guarantor Payment Date (i) under item First of the Pre-Issuer Default Interest Priority of Payments and (ii) as compensation for the activity of any of the Principal Servicer or the Additional Servicer under the terms of the Master Servicing Agreement."

"**B**" is the aggregate amount of all interest payable with respect of each Series of Covered Bonds during the six months period following the relevant Guarantor Calculation Date; and

"**C**" the sum of the Floating Amount (as defined in the Swap Agreement related to the relevant Series of Covered Bond) due by the Guarantor during the six months period following the relevant Guarantor Calculation Date.

"**Reserve Account**" means the account denominated in Euro opened in the name of the Guarantor and held by the English Account Bank, number 50456001 (IBAN: GB85 PASC 4051 6850 4560 01) or any other substitutive account which may be opened pursuant to the English Account Bank Agreement.

"**Reserve Amount**" means the funds standing to the credit of the Reserve Account from time to time.

"**Residential Mortgage Loan**" means, pursuant to article 2, sub-paragraph 1, of Decree No. 310, a residential mortgage loan in respect of which the relevant amount outstanding added to the principal amount outstanding of any higher ranking mortgage loans secured by the same property, does not exceed 80 per cent of the value of the property.

"**Residential Real Estate Assets**" means the Real Estate Assets relating to Residential Mortgage Loans.

"**Retention Amount**" means an amount equal to €50,000.00.

"**Rules of the Organisation of the Bondholders**" means the rules of the organisation of the Bondholders attached as Exhibit 1 to this Conditions, as from time to time modified in accordance with the provisions therein contained and including any agreement or other document expressed to be supplemental thereto.

"**Screen Rate Determination**" has the meaning given in the relevant Final Terms.

"**Securities Act**" means the U.S. Securities Act of 1933, as amended.

"**Security**" means the security created pursuant to the Deed of Pledge.

"**Security Interest**" means:

(i) any mortgage, charge, pledge, lien or other encumbrance securing any obligation of any person;

(ii) any arrangement under which money or claims to money, or the benefit of, a bank or other account may be applied, set off or made subject to a combination of accounts so as to effect discharge of any sum owed or payable to any person; or

(iii) any other type of preferential arrangement (including any title transfer and retention arrangement) having a similar effect.

"**Segregation Event**" has the meaning given to the definition "Segregation Event" pursuant to the Terms and Conditions.

"**Selected Assets**" means the Eligible Assets and Top-Up Assets from time to time sold by the Guarantor in accordance with the provisions of the Cover Pool Management Agreement.

"**Seller**" means the Principal Seller pursuant to the Master Assets Purchase Agreement and each Additional Seller (if any).

"**Series**" or "**Series of Covered Bonds**" means each series of Covered Bonds issued in the context of the Programme.

"**Servicer**" means any of BMPS in its capacity as Principal Servicer pursuant to the Master Servicing Agreement and any Additional Servicer pursuant to the terms and conditions provided therein.

"**Servicer's Report Date**" means any of the Monthly Servicer's Report Date or any of the Quarterly Servicer's Report Date.

"**Servicer's Reports**" means any of the Monthly Servicer's Report and the Quarterly Servicer's Report.

"**Servicer Termination Event**" means any event as indicated in clause 11.1 of the Master Servicing Agreement.

"**Specified Currency**" means the currency as may be agreed from time to time by the Issuer, the relevant Dealer(s), the Principal Paying Agent and the Representative of the Bondholders (as set out in the applicable Final Terms).

"**Specified Denomination**" has the meaning given in the relevant Final Terms.

"**Specified Office(s)**" means, in relation to any Paying Agent, the office currently specified in the Cash Management Payments and Allocation Agreement or as further specified by notice to the Issuer and the other parties to the Cash Management Payments and Allocation Agreement in the manner provided therein or in the relevant Final Terms, as the case may be.

"**Specified Period**" has the meaning set out in the relevant Final Terms.

"**Stock Exchange**" means the regulated market of the Luxembourg Stock Exchange (*Bourse de Luxembourg*).

"**Subordinated Lender**" means any of the Principal Subordinated Lender and any Additional Subordinated Lender(s), if any.

"**Subordinated Loan Agreement**" means each subordinated loan agreement entered between a Subordinated Lender and the Guarantor, as amended from time to time.

"**Subordinated Loan Availability Period**" means the period starting from the date of execution of the Subordinated Loan Agreement (or, in respect of any Additional Seller, the relevant Subordinated Loan Agreement) and ending on the date on which all the Covered Bonds issued in the context of the Programme have been cancelled or redeemed in full pursuant to the relevant Final Terms, in which the Subordinated Lender has the right to grant to the Guarantor, on each Drawdown Date, a Term Loan.

"**Subscription Agreement**" means any subscription agreement entered on or about the Issue Date of each Series or Tranche of Covered Bonds between, inter alios, each Dealer and the Guarantor

"**Substitute Servicer**" means the substitute of the Servicer which will take over the servicing activities in the event of a Servicer Termination Event pursuant to clause 12 of the Master Servicing Agreement.

"**Swap Agreements**" means, collectively, the Covered Bond Swap Agreement(s), the Asset Swap Agreement and any other swap agreement which may be entered into by the Guarantor in the context of the Programme.

"**Swap Collateral Excluded Amounts**" means at any time, the amounts of Swap Collateral which may not be applied under the terms of the relevant Swap Agreement at that time in satisfaction of the relevant Swap Provider's obligations to the Guarantor or, as the case may be, the Issuer including Swap Collateral which is to be returned to the relevant Swap Provider from time to time in accordance with the terms of the Swap Agreements and ultimately upon termination of the relevant Swap Agreement.

"**Swap Providers**" means, as applicable, the Asset Swap Provider(s), the Covered Bond Swap Providers and any other entity which may act as swap counterparty to the Guarantor by entering into a Swap Agreement.

"**TARGET2**" means the Trans-European Automated Real-time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007.

"**TARGET Settlement Day**" means any day on which the TARGET2 is open for the settlement of payments in Euro.

"**Tax**" means any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the Republic of Italy or any political sub-division thereof or any authority thereof or therein.

"**Term Loan**" means any term loan in the form of a Programme Term Loan or Fixed Interest Term Loan or Floating Interest Term Loan, made or to be made available to the Guarantor on each Drawdown Date under the Subordinated Loan Agreement or the principal amount outstanding for the time being of that loan.

"**Term Loan Proposal**" means an "*Offerta di Finanziamento Subordinato*" as such term is defined in the relevant Subordinated Loan Agreement.

"**Terms and Conditions**" means the Terms and Conditions of the Covered Bonds.

"**Test Calculation Agent**" means any of the Pre-Issuer Default Test Calculation Agent and the Post-Issuer Default Test Calculation Agent.

"**Test Calculation Date**" means the date on which the calculation of the Tests are performed, being a date falling on or before the Test Performance Report Date, provided that following the delivery of a Guarantee Enforcement Notice the first Test Calculation Date will fall 7 Business Days after the delivery of such Guarantee Enforcement Notice.

"**Test Grace Period**" means the period starting on the date on which the breach of any of the Mandatory Tests or of the Asset Coverage Test is notified by the Pre-Issuer Default Test Calculation Agent and ending on the immediately following Test Performance Report Date.

"**Test Performance Report**" means, respectively (i) the Pre-Issuer Default Test Performance Report to be issued by the Pre-Issuer Default Test Calculation Agent and (ii) the Post-Issuer Default Test Performance Report to be issued by the Post-Issuer Default Test Calculation Agent, each setting out the calculations carried out by it with respect to the relevant Tests.

"**Test Performance Report Date**" means the date falling the 22nd calendar day of each month.

"**Test Remedy Period**" means the period starting from the date on which a Breach of Test Notice is delivered and ending on the Test Performance Report Date falling 5 months thereafter.

"**Tests**" means, as appropriate, the Mandatory Tests, the Asset Coverage Test, the Amortisation Test.

"**Top-Up Assets**" means, in accordance with article 2, sub-paragraph 3.2 and 3.3 of Decree No. 310, each of the following assets:

(i) deposits held with banks which have their registered office in the European Economic Area or Switzerland or in a country for which a 0% risk weight is applicable in accordance with the Bank of Italy's Prudential Regulations for banks - standardised approach; and

(ii) securities issued by the banks indicated in item (i) above, which have a residual maturity not exceeding one year.

"**Total Commitment**" means, in respect of each Subordinated Lender, the commitment specified in the relevant Subordinated Loan Agreement.

"**Tranche**" or "**Tranches of Covered Bonds**" means each tranche of Covered Bonds which may be comprised in a Series of Covered Bonds.

"**Transfer Proposal**" means, in respect to each New Portfolio, the transfer proposal which will be sent by the relevant Seller and addressed to the Guarantor substantially in the form set out in schedule 7 to the Master Assets Purchase Agreement.

"**Treaty**" means the treaty establishing the European Community.

"**Usury Law**" means Italian Law number 108 of 7 March 1996, together with Decree number 349 of 29 December 2000 as converted into Law number 24 of 28 February 2001.

"**Valuation Date**" means, with respect to the Initial Portfolio, the 21 of May 2010 and with respect to any New Portfolios, the date that will be established jointly by the Principal Seller or any Additional Seller and the Guarantor.

"**Warranty and Indemnity Agreement**" means the warranty and indemnity agreement entered on 25 May 2010 between the Principal Seller and the Guarantor, as amended from time to time.

"**Zero Coupon Provisions**" has the meaning set out in Condition 7 (*Zero Coupon Provisions*).

(b) *Interpretation:*

In these Conditions:

(i) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 10 (*Taxation*), any premium payable in respect of a Series or Tranche of Covered Bonds and any other amount in the nature of principal payable pursuant to these Conditions;

(ii) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 10 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions;

(iii) if an expression is stated in Condition 2 (a) (*Definitions*) to have the meaning given in the relevant Final Terms, but the relevant Final Terms give no such meaning or specify that such expression is "not applicable" then such expression is not applicable to the relevant Covered Bonds;

(iv) any reference to a Programme Document shall be construed as a reference to such Programme Document, as amended and/or supplemented up to and including the Issue Date of the relevant Covered Bonds;

(v) any reference to a party to a Programme Document (other than the Issuer and the Guarantor) shall, where the context permits, include any Person who, in accordance with the terms of such Programme Document, becomes a party thereto subsequent to the date thereof, whether by appointment as a successor to an existing party or by appointment or otherwise as an additional party to such document and whether in respect of the Programme generally or in respect of a single Series or Tranche only; and

(vi) any reference in any legislation (whether primary legislation or regulations or other subsidiary legislation made pursuant to primary legislation) shall be construed as a reference to such legislation as the same may have been, or may from time to time be, amended or re-enacted.

3. DENOMINATION, FORM AND TITLE

The Covered Bonds are in the Specified Denomination or Specified Denominations which may include a minimum denomination of €100,000 (or, where the Specified Currency is a currency other than euro, the equivalent amount in such Specified Currency) and higher integral multiples of a smaller amount, all as specified in the relevant Final Terms and save that the minimum denomination of each Covered Bond admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in

circumstances which require the publication of a prospectus under the Prospectus Directive will be €100,000 (or, if the Covered Bonds are denominated in a currency other than euro, the equivalent amount in such currency). The Covered Bonds will be issued in bearer and dematerialised form or in any other form as set out in the relevant Final Terms. The Covered Bonds issued in bearer and dematerialised form will be held on behalf of their ultimate owners by Monte Titoli for the account of Monte Titoli Account Holders and title thereto will be evidenced by book entries in accordance with the provisions of the Financial Laws Consolidation Act and the Joint Regulation, as amended and supplemented from time to time. The Covered Bonds issued in bearer and dematerialised form will be held by Monte Titoli on behalf of the Bondholders until redemption or cancellation thereof for the account of the relevant Monte Titoli Account Holder. No physical document of title will be issued in respect of the Covered Bonds issued in bearer and dematerialised form. The rights and powers of the Bondholders may only be exercised in accordance with these Conditions and the Rules.

4. STATUS AND GUARANTEE

(a) *Status* of the Covered Bonds: The Covered Bonds constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer and will rank *pari passu* without preference among themselves and (save for any applicable statutory provisions) at least equally with all other present and future unsecured and unsubordinated obligations of the Issuer from time to time outstanding. In the event of a compulsory winding-up (*liquidazione coatta amministrativa*) of the Issuer, any funds realised and payable to the Bondholders will be collected by the Guarantor on their behalf.

(b) *Status of the Guarantee*: The payment of Guaranteed Amounts in respect of each Series or Tranche of Covered Bonds when Due for Payment will be unconditionally and irrevocably guaranteed by the Guarantor in the Guarantee. The recourse of the Bondholders to the Guarantor under the Guarantee will be limited to the assets of the Cover Pool. Payments made by the Guarantor under the Guarantee will be made subject to, and in accordance with, the relevant Priority of Payments pursuant to which specified payments will be made to other parties prior to payments to the Bondholders.

5. FIXED RATE PROVISIONS

(a) *Application*: This Condition 5 is applicable to the Covered Bonds only if the Fixed Rate Provisions are specified in the relevant Final Terms as being applicable.

(b) *Accrual of interest*: The Covered Bonds bear interest from the Interest Commencement Date at the Rate of Interest payable in arrears on each Interest Payment Date, subject as provided in Condition 9 (*Payments*). Each Covered Bond will cease to bear interest from the due date for final redemption unless payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 5 (both before and after judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Covered Bond up to that day are received by or on behalf of the relevant Bondholder and (ii) the day which is

seven days after the Principal Paying Agent has notified the Bondholders that it has received all sums due in respect of the Covered Bonds up to such seventh day (except to the extent that there is any subsequent default in payment). If payment of the Final Redemption Amount on the Maturity Date is deferred in whole or in part pursuant to Condition 8(b) (*Extension of maturity*), the Floating Rate Provision will apply (as specified in the Final Terms).

(c) *Fixed Coupon Amount*: The amount of interest payable in respect of each Covered Bond for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Covered Bonds are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination.

(d) *Calculation of interest amount*: The amount of interest payable in respect of each Covered Bond for any period for which a Fixed Coupon Amount is not specified shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Covered Bond divided by the Calculation Amount. For this purpose a "sub-unit" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

6. FLOATING RATE PROVISIONS

(a) *Application*: This Condition 6 is applicable to the Covered Bonds only if the Floating Rate Provisions are specified in the relevant Final Terms as being applicable.

(b) *Accrual of interest*: The Covered Bonds bear interest from the Interest Commencement Date at the Rate of Interest payable in arrears on each Interest Payment Date, subject as provided in Condition 9 (*Payments*). Each Covered Bond will cease to bear interest from the due date for final redemption unless payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition (both before and after judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Covered Bond up to that day are received by or on behalf of the relevant Bondholder and (ii) the day which is seven days after the Principal Paying Agent has notified the Bondholders that it has received all sums due in respect of the Covered Bonds up to such seventh day (except to the extent that there is any subsequent default in payment).

(c) *Screen Rate Determination*: If Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Covered Bonds for each Interest Period will be determined by the Principal Paying Agent on the following basis:

(i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Principal Paying Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;

(ii) in any other case, the Principal Paying Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;

(iii) if, in the case of (i) above, such rate does not appear on that page or, in the case of (ii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Principal Paying Agent will:

(A) request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and

(B) determine the arithmetic mean of such quotations; and

(iv) if fewer than two such quotations are provided as requested, the Principal Paying Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Principal Paying Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Principal Paying Agent, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

and the Rate of Interest for such Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; provided, however, that if the Principal Paying Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the Covered Bonds during such Interest Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Covered Bonds in respect of a preceding Interest Period.

(d) *ISDA Determination*: If ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Covered Bonds for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where "**ISDA Rate**" in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Principal

Paying Agent under an interest rate swap transaction if the Principal Paying Agent were acting as Principal Paying Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Final Terms;

(ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Final Terms; and

(iii) the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option (as defined in the ISDA Definitions is based on the London inter-bank offered rate (LIBOR) for a currency, the first day of that Interest Period or (B) in any other case, as specified in the relevant Final Terms.

(e) *Maximum or Minimum Rate of Interest*: If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Final Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.

(f) *Calculation of Interest Amount*: The Principal Paying Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Covered Bond for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Covered Bond divided by the Calculation Amount. For this purpose a "sub-unit" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

(g) *Publication*: The Principal Paying Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Paying Agent(s) and each competent authority, stock exchange and/or quotation system (if any) by which the Covered Bonds have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Bondholders. The Principal Paying Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period. If the Calculation Amount is less than the minimum Specified Denomination, the Principal Paying Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation

Amount and the Interest Amount in respect of a Covered Bond having the minimum Specified Denomination.

(h) *Notifications etc*: All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition by the Principal Paying Agent will (in the absence of manifest error) be binding on the Issuer, the Guarantor, the Paying Agent(s), the Bondholders and (subject as aforesaid) no liability to any such Person will attach to the Principal Paying Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

7. ZERO COUPON PROVISIONS

(a) *Application*: This Condition 7 is applicable to the Covered Bonds only if the Zero Coupon Provisions are specified in the relevant Final Terms as being applicable.

(b) *Late payment on Zero Coupon Covered Bonds*: If the Redemption Amount payable in respect of any Zero Coupon Covered Bond is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:

(i) the Reference Price; and

(ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price on the basis of the relevant Day Count Fraction from (and including) the Issue Date to (but excluding) whichever is the earlier of (i) the day on which all sums due in respect of such Covered Bond up to that day are received by or on behalf of the relevant Bondholder and (ii) the day which is seven days after the Principal Paying Agent has notified the Bondholders that it has received all sums due in respect of the Covered Bonds up to such seventh day (except to the extent that there is any subsequent default in payment).

8. REDEMPTION AND PURCHASE

(a) *Scheduled redemption*: Unless previously redeemed or cancelled, the Covered Bonds will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Condition 8(b) (*Extension of maturity*) and Condition 9 (*Payments*).

(b) *Extension of maturity*: Without prejudice to Condition 11 (*Segregation Event and Events of Default*), if the Issuer fails to pay (in whole or in part) the Final Redemption Amount in respect of a Series of Covered Bonds on the applicable Maturity Date specified in the relevant Final Terms and the Guarantor, or the Guarantor Calculation Agent on its behalf, determines, on the Extension Determination Date, that the Guarantor has insufficient moneys available under the relevant Priority of Payments to pay the Guaranteed Amounts corresponding to the Final Redemption Amount in full in respect of the relevant Series or Tranche of Covered Bonds, then the relevant Series of

Covered Bonds shall become a Pass Through Series and payment of the unpaid amount by the Guarantor under the Guarantee shall be automatically deferred until the Extended Maturity Date, provided that any amount representing the Final Redemption Amount due and remaining unpaid on such Pass Through Series after the relevant Extension Determination Date may be paid by the Guarantor on any Guarantor Payment Date thereafter up to (and including) the relevant Extended Maturity Date for such Pass Through Series in accordance with the applicable Priority of Payments.

The Issuer shall confirm to the Principal Paying Agent as soon as reasonably practicable and in any event at least four Business Days prior to the Maturity Date as to whether payment will or will not be made in full of the Final Redemption Amount in respect of the Covered Bonds on that Maturity Date. Any failure by the Issuer to notify the Principal Paying Agent shall not affect the validity or effectiveness of the extension.

The Guarantor shall notify the relevant holders of the Covered Bonds (in accordance with Condition 17 (*Notices*), any relevant Swap Provider(s), the Rating Agencies, the Representative of the Bondholders and the Principal Paying Agent immediately after the Extension Determination Date of any inability of the Guarantor to pay in full the Guaranteed Amounts corresponding to the Final Redemption Amount in respect of the Covered Bonds pursuant to the Guarantee. Any failure by the Guarantor to notify such parties shall not affect the validity or effectiveness of the extension nor give rise to any rights in any such party.

In the circumstances outlined above, the Guarantor shall on the Extension Determination Date, pursuant to the Guarantee, apply the moneys (if any) available (after paying or providing for payment of higher ranking or pari passu amounts in accordance with the relevant Priority of Payments) pro rata as payment of an amount equal to the Final Redemption Amount in respect of the Covered Bonds which become due and payable and shall pay Guaranteed Amounts constituting interest in respect of each such Covered Bond on such date. The obligation of the Guarantor to pay any amounts in respect of the balance of the Final Redemption Amount not so paid shall be deferred as described above.

Interest will continue to accrue on any unpaid amount during such extended period and be payable on the Maturity Date and on each Guarantor Payment Date up to (and including) the Extended Maturity Date.

(c) *Redemption for tax reasons*: The Covered Bonds may be redeemed at the option of the Issuer in whole, but not in part:

(i) at any time (if the Floating Rate Provisions are specified in the relevant Final Terms as being applicable); or

(ii) on any Interest Payment Date (if the Floating Rate Provisions are specified in the relevant Final Terms as being applicable),

(iii) on giving not less than 30 nor more than 60 days' notice to the Bondholders (which notice shall be irrevocable), at their Early Termination Amount (Tax), together with interest accrued (if any) to the date fixed for redemption, if:

(A) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 10 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of Italy or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date of issue of the first Series of the Covered Bonds; and

(B) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided, however, that no such notice of redemption shall be given earlier than:

(C) where the Covered Bonds may be redeemed at any time, 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Covered Bonds were then due; or

(D) where the Covered Bonds may be redeemed only on an Interest Payment Date, 60 days prior to the Interest Payment Date occurring immediately before the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Covered Bonds were then due.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Principal Paying Agent (A) a certificate signed by two directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (B) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment. Upon the expiry of any such notice as is referred to in this Condition 8(c) (*Redemption for tax reason*), the Issuer shall be bound to redeem the Covered Bonds in accordance with this Condition 8(c) (*Redemption for tax reason*).

(d) *Redemption at the option of the Issuer*: If the Call Option is specified in the relevant Final Terms as being applicable, the Covered Bonds may be redeemed at the option of the Issuer in whole or, if so specified in the relevant Final Terms, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) on the Issuer's giving not less than 15 nor more than 30 days' notice to the Bondholders (which notice shall be

irrevocable and shall oblige the Issuer to redeem the Covered Bonds on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus accrued interest (if any) to such date).

(e) *Redemption at the option of Bondholders*: If the Put Option is specified in the relevant Final Terms as being applicable, prior to an Issuer Event of Default, the Issuer shall, at the option of any Bondholder redeem such Covered Bonds held by it on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued to such date. In order to exercise the option contained in this Condition 8(e) (Redemption at the option of the Bondholders), the Bondholder must, not less than 30 nor more than 45 days before the relevant Optional Redemption Date (Put), deposit with the Principal Paying Agent a duly completed Put Option Notice in the form obtainable from the Principal Paying Agent. The Principal Paying Agent with which a Put Option Notice is so deposited shall deliver a duly completed Put Option Receipt to the deposit in Bondholder. Once deposited in accordance with this Condition 8(e) (Redemption at the option of the Bondholders), no duly completed Put Option Notice may be withdrawn; provided, however, that if, prior to the relevant Optional Redemption Date (Put), any Covered Bonds become immediately due and payable or, upon due presentation of any such Covered Bonds on the relevant Optional Redemption Date (Put), payment of the redemption moneys is improperly withheld or refused, the Principal Paying Agent shall mail notification thereof to the Bondholder at such address as may have been given by such Bondholder in the relevant Put Option Notice and shall hold such Covered Bond against surrender of the relevant Put Option Receipt. For so long as any outstanding Covered Bonds are held by the Principal Paying Agent in accordance with this Condition 8(e) (*Redemption at the option of the Bondholders*), the Bondholder and not the Principal Paying Agent shall be deemed to be the holder of such Covered Bonds for all purposes.

(f) *Partial redemption*: If the Covered Bonds are to be redeemed in part only, on any date in accordance with Condition 8(d) (Redemption at the option of the Issuer), the Covered Bonds to be redeemed in part shall be redeemed in the principal amount specified by the Issuer and will be so redeemed in accordance with the rules and procedures of Monte Titoli and/or any other Relevant Clearing System (to be reflected in the records of such clearing systems as a pool factor or a reduction in principal amount, at their discretion), subject to compliance with applicable law, the rules of each competent authority, stock exchange and/or quotation system (if any) by which the Covered Bonds have then been admitted to listing, trading and/or quotation. The notice to Bondholders referred to in Condition 8(d) (*Redemption at the option of the Issuer*) shall specify the proportion of the Covered Bonds so to be redeemed. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Final Terms, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified.

(g) *Early redemption of Zero Coupon Covered Bonds*: Unless otherwise specified in the relevant Final Terms, the Redemption Amount payable on redemption of a Zero Coupon Covered Bonds at any time before the Maturity Date shall be an amount equal to the sum of:

(i) the Reference Price; and

(ii) the product of the Accrual Yield (compounded annually) applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Covered Bonds become due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the Final Terms for the purposes of this Condition 8(g) (*Early redemption of Zero Coupon Covered Bonds*) or, if none is so specified, a Day Count Fraction of 30E/360.

(h) *Redemption by instalments*: If the Covered Bonds are specified in the relevant Final Terms as being amortising and redeemable in instalments they will be redeemed in such number of instalments, in such amounts ("**Instalment Amounts**") and on such dates as may be specified in or determined in accordance with the relevant Final Terms and upon each partial redemption as provided by this Condition 8(h) (*Redemption by instalments*) the outstanding principal amount of each such Covered Bonds shall be reduced by the relevant Instalment Amount for all purposes.

(i) *No other redemption*: The Issuer shall not be entitled to redeem the Covered Bonds otherwise than as provided in Conditions 8(a) (*Scheduled redemption*) to (h) (*Redemption by instalments*) above.

(j) *Purchase*: The Issuer or any of its Subsidiaries (other than the Guarantor) may at any time purchase Covered Bonds in the open market or otherwise and at any price. The Guarantor shall not purchase any Covered Bonds at any time.

(k) *Cancellation*: All Covered Bonds so redeemed shall be cancelled (or may be cancelled in case of Covered Bonds repurchase by the Issuer) and thereafter may not be reissued.

9. PAYMENTS

(a) *Payments through clearing systems*: Payment of interest and repayment of principal in respect of the Covered Bonds will be credited, in accordance with the instructions of Monte Titoli, by the Principal Paying Agent on behalf of the Issuer or the Guarantor (as the case may be) to the accounts of those banks and authorised brokers whose accounts with Monte Titoli are credited with those Covered Bonds and thereafter credited by such banks and authorised brokers from such aforementioned accounts to the accounts of the beneficial owners of those Covered Bonds or through the Relevant Clearing Systems to the accounts with the Relevant Clearing Systems of the beneficial owners of

those Covered Bonds, in accordance with the rules and procedures of Monte Titoli and of the Relevant Clearing Systems, as the case may be.

(b) *Payments subject to fiscal laws*: All payments in respect of the Covered Bonds are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 10 (Taxation). No commissions or expenses shall be charged to Bondholders in respect of such payments.

(c) *Payments on Business Days*: If the due date for payment of any amount in respect of any Covered Bond is not a Payment Business Day in the Place of Payment, the Bondholder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.

10. TAXATION

(a) *Gross up by Issuer*: All payments of principal and interest in respect of the Covered Bonds by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future Taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Republic of Italy or any political subdivision therein or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, the Issuer shall pay such additional amounts as will result in receipt by the Bondholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Covered Bond:

(i) in respect of any payment or deduction of any interest or principal on account of *imposta sostitutiva* (at the then applicable rate of tax) pursuant to Decree No. 239 with respect to any Covered Bonds and in all circumstances in which the procedures set forth in Decree No. 239 have not been met or complied with except where such procedures have not been met or complied with due to the actions or omissions of the Issuer or its agents; or

(ii) held by or on behalf of a Bondholder which is liable to such taxes, duties, assessments or governmental charges in respect of such Covered Bonds by reason of its having some connection with the jurisdiction by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Covered Bonds; or

(iii) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000

on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(iv) held by or on behalf of a Bondholder who would have been able to avoid such withholding or deduction by presenting the relevant Covered Bond to another Paying Agent in a Member State of the EU.

(b) *Taxing jurisdiction*: If the Issuer becomes subject at any time to any taxing jurisdiction other than the Republic of Italy, references in these Conditions to the Republic of Italy shall be construed as references to the Republic of Italy and/or such other jurisdiction.

11. SEGREGATION EVENT AND EVENTS OF DEFAULT

11.1 Segregation Event

The occurrence of any of the following events :

(a) a breach of one of the Mandatory Tests on the relevant Quarterly Test Calculation Date and/or

(b) prior to the delivery of a Guarantee Enforcement Notice, a breach of the Asset Coverage Test on the relevant Test Calculation Date,

which the Pre-Issuer Default Test Calculation Agent notifies has not been remedied within the applicable Test Grace Period, constitutes a "**Segregation Event**".

Upon the occurrence of a Segregation Event the Representative of the Bondholders will promptly serve notice and in any case within 5 calendar days (the "**Breach of Tests Notice**") on, *inter alios*, the Issuer and the Guarantor and the Rating Agencies that a Segregation Event has occurred.

In such case:

(i) no *further* Series or Tranche of Covered Bonds may be issued by the Issuer;

(ii) there *shall* be no further payments to the Subordinated Lender under any relevant Term Loan, other than where necessary for the purpose of complying with the 15% Limit in accordance with the provisions of Decree 310 and the Bank of Italy Regulations as better specified in the Cover Pool Management Agreement (and to the extent that no purchase of Eligible Assets is possible to this effect in accordance with the provisions of the Master Assets Purchase Agreement and the Cover Pool Management Agreement and/or in compliance with the limits set out in the Bank of Italy Regulations);

(iii) the *purchase* price for any Eligible Assets or Top-Up Assets to be acquired by the Guarantor shall be paid using the proceeds of a Term Loan or, with respect to Eligible Assets only, to the extent necessary to comply with the 15% Limit in accordance with the provisions of Decree 310 and the Bank of Italy Regulations as better specified in the Cover Pool Management Agreement, the Guarantor Available Funds; and

(iv) *payments* due under the Covered Bonds will continue to be made by the Issuer until a Guarantee Enforcement Notice has been delivered.

If the relevant Test(s) is/are met within the Test Remedy Period, the Representative of the Bondholders will promptly and in any case within 5 calendar days deliver to the Issuer, the Guarantor, the Asset Monitor and the Rating Agencies a notice informing such parties that the Breach of Tests Notice then outstanding has been revoked (the "**Breach of Tests Cure Notice**").

11.2 **Issuer Events of Default**

The occurrence of any of the following events constitutes an "Issuer Event of Default":

(a) *Non-payment (also as a result of claw-back)*: the Issuer fails to pay any amount of interest and/or principal due and payable on any Series or Tranche of Covered Bonds and such breach is not remedied within 15 calendar days, in case of amounts of interest, or 7 calendar days (other than in case of non-payment as at the Maturity Date), in case of amounts of principal, as the case may be; or

(b) *Breach of obligation (other than non-payment)*: a material breach by the Issuer of any obligation under the Programme Documents occurs and such breach is not remedied within 30 calendar days after the Representative of the Bondholders has given written notice thereof to the Issuer; or

(c) *Insolvency*: an Insolvency Event occurs with respect to the Issuer; or

(d) *Article 74 Event*: a resolution pursuant to article 74 of the Consolidated Banking Act is issued in respect of the Issuer; or

(e) *Cessation of business*: a Cessation of Business occurs in respect of the Issuer; or

(f) *Breach of Tests*: following the delivery of a Breach of Tests Notice, one of the relevant Tests is not met on, or prior to, the Test Calculation Date falling at the end of the relevant Test Remedy Period unless a resolution of the Bondholders is passed resolving to extend that Test Remedy Period.

If any of the events set out in points (a), (c) - to the extent that it is an Insolvency Event consisting in a procedure of *liquidazione coatta amministrativa* of the Issuer –, (d) or (f) above occurs and is continuing, then the Representative of the Bondholders shall serve to the Issuer and the Guarantor a notice to demand payments under the Guarantee (a "**Guarantee Enforcement Notice**"), specifying in case of the Issuer Event of Default referred to under item (d) above, that the Issuer Event of Default may be temporary and the relevant Guarantee Enforcement Notice may be revoked accordingly.

Upon the service of a Guarantee Enforcement Notice:

(i) no further Series or Tranche of Covered Bonds may be issued by the Issuer;

(ii) there shall be no further payments to the Subordinated Lender under any relevant Term Loan;

(iii) the purchase price for any Eligible Assets or Top-Up Assets to be acquired by the Guarantor shall be paid using the proceeds of a Term Loan;,

(iv) *Guarantee*: (a) interest and principal falling due on the Covered Bonds will be payable by the Guarantor at the time and in the manner provided under the Conditions and the Final Terms of the relevant Series or Tranche of Covered Bonds, subject to and in accordance with the terms of the Guarantee and the Guarantee Priority of Payment; then (b) the Guarantor (or the Representative of the Bondholders pursuant to the Intercreditor Agreement) shall be entitled to request from the Issuer an amount up to the Guaranteed Amounts and any sum so received or recovered from the Issuer will be used to make payments in accordance with the Guarantee;

(v) *Pass Through Series*: to the extent that the Guarantor does not have sufficient funds to pay principal on a Series of Covered Bonds (also taking into account amounts referred under letter (b) of paragraph (iv) above (if any)), such Series shall become a Pass Through Series in accordance with Condition 8(b).

(vi) *Disposal of Assets*: the Guarantor shall use its best effort to sell the Eligible Assets and Top-Up Assets included in the Cover Pool in accordance with the provisions of the Cover Pool Management Agreement,

provided that, in case of the Issuer Event of Default determined by a resolution issued in respect of the Issuer pursuant to article 74 of the Consolidated Banking Act (referred to under item (d) (*Article 74 Event*) above) (the "**Article 74 Event**"), the effects listed in items (i) (*Application of the Segregation Event provisions*), (ii) (*Guarantee*) and (iv) (*Disposal of Assets*) above will only apply for as long as the suspension of payments pursuant to Article 74 of the Consolidated Banking Act will be in force and effect (the "**Suspension Period**"). Accordingly (A) the Guarantor, in accordance with Decree No. 310, shall be responsible for the payments of the amounts due and payable under the Covered Bonds during the Suspension Period and (B) at the end of the Suspension Period, the Issuer shall be again responsible for meeting the payment obligations under the Covered Bonds).

For the avoidance of doubt, (i) in case of delivery of a Guarantee Enforcement Notice further to a non- payment of interest on a Series of Covered Bond the relevant Series becomes a Pass-Though Series if and only to the extent that, on the relevant Maturity Date the Guarantor does not have sufficient funds to redeem the Final Redemption Amount of such Series and (ii) in case of delivery of a Guarantee Enforcement Notice further to an Insolvency Event of the Issuer - consisting in a procedure of *liquidazione coatta amministrativa* - or further to an Article 74 Event, if the Guarantor does not have sufficient funds pay the Final Redemption Amount due on a Series of Covered Bond on the relevant Maturity Date, such Series becomes a Pass-Though Series on such Maturity Date.

If any of the events set out in points from (b), (c) other than in case of Insolvency Event consisting in a procedure of *liquidazione coatta amministrativa* of the Issuer, or (e) above occurs and is continuing, then the Representative of the Bondholders shall

serve a notice to the Issuer, the Guarantor, the Principal Seller and any Additional Seller (if any), the Principal Servicer and any Additional Servicer (if any), the Asset Monitor, the Rating Agencies, the Guarantor Calculation Agent, the Swap Counterparties, the Post-Issuer Default Test Calculation Agent and the Rating Agencies (an "**Issuer Default Notice**").

Upon the service of an Issuer Default Notice the provisions governing the Segregation Event from item (a) to (d) shall apply.

11.3 **Guarantor Events of Default**

Following the occurrence of an Issuer Event of Default and delivery of the relevant Guarantee Enforcement Notice (to the extent not revoked), the occurrence of any of the following events constitutes a "**Guarantor Event of Default**":

(a) *Non-payment*: the Guarantor fails to pay any interest and/or principal due and payable under the Guarantee and such breach is not remedied within the next following 7 Business Days; or

(b) *Insolvency*: an Insolvency Event occurs with respect to the Guarantor; or

(c) *Breach of other obligation*: a material breach of any obligation under the Programme Documents by the Guarantor occurs (other than payment obligations referred to in item (a) (*Non-payment*) above) which is not remedied within 30 days after the Representative of the Bondholders has given written notice thereof to the Guarantor.

If any of the events set out in points from (a) to (c) above (each, a "**Guarantor Event of Default**") occurs and is continuing then the Representative of the Bondholders shall serve to the Issuer, the Guarantor, the Principal Seller and any Additional Seller (if any), the Principal Servicer and any Additional Servicer (if any), the Asset Monitor, the Guarantor Calculation Agent, the Principal Paying Agent, the Guarantor Corporate Servicer, the Italian Account Bank, the Italian Back-Up Account Bank, the English Account Bank, the English Back-up Account Bank and the Rating Agencies a Guarantor Default Notice, unless the Representative of the Bondholders, having exercised its discretion, resolves otherwise or a resolution of the Bondholders is passed resolving otherwise.

Upon the delivery of a Guarantor Default Notice, unless a Programme Resolution is passed resolving otherwise:

(i) *Acceleration of Covered Bonds*: the Covered Bonds shall become immediately due and payable at their Early Termination Amount together, if appropriate, with any accrued interest and will rank pari passu among themselves in accordance with the Post-enforcement Priority of Payments;

(ii) subject to and in accordance with the terms of the Guarantee, the Representative of the Bondholders, on behalf of the Bondholders, shall have a claim against the Guarantor for an amount equal to the Early Termination Amount, together with accrued interest and any other amount due under the

Covered Bonds (other than additional amounts payable under Condition 10 (a) (Gross up by Issuer) in accordance with the Priority of Payments;

(iii) *Disposal of Assets*: the Guarantor shall immediately sell all Assets included in the Cover Pool in accordance with the provisions of the Cover Pool Management Agreement; and

(iv) *Enforcement*: the Representative of the Bondholders may, at its discretion and without further notice, subject to adequate satisfaction before doing so, take such steps and/or institute such proceedings against the Issuer or the Guarantor (as the case may be) as it may think fit to enforce such payments, but it shall not be bound to take any such proceedings or steps unless requested or authorised by a resolution of the Bondholders.

11.4 **Amortisation Test and relevant breach**

Starting from the date on which a Guarantee Enforcement Notice is delivered and until the earlier of:

11.4.1 the date on which all Series or Tranche of Covered Bonds issued in the context of the Programme have been cancelled or redeemed in full in accordance with the Terms and Conditions and the relevant Final Terms; and

11.4.2 the date on which a Guarantor Default Notice is delivered,

the Guarantor shall procure that on any Test Calculation Date, the Amortisation Test is met with respect to the Cover Pool, provided that, in case the Issuer Event of Default consists of an Article 74 Event, no Article 74 Event Cure Notice has been served.

If a breach of the Amortisation Test occurs:

(i) *Pass Through Series*: any and all Series of Covered Bonds will become immediately Pass Through Series in accordance with Condition 8(b); and

(ii) *Disposal of Assets*: the Guarantor shall use its best effort to sell the Eligible Assets and Top-Up Assets included in the Cover Pool in accordance with the provisions of the Cover Pool Management Agreement.

11.5 Determinations, etc: all notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 11 by the Representative of the Bondholders shall (in the absence of wilful default (*dolo*), gross negligence (*colpa grave*) or manifest error) be binding on the Issuer, the Guarantor and all Bondholders and (in such absence as aforesaid) no liability to the Bondholders, the Issuer or the Guarantor shall attach to the Representative of the Bondholders in connection with the exercise or non-exercise by it of its powers, duties and discretions hereunder.

12. LIMITED RECOURSE AND NON PETITION

12.1 Limited recourse

The obligations of the Guarantor under the Guarantee constitute direct and unconditional, unsubordinated and limited recourse obligations of the Guarantor, collateralised by the Cover Pool as provided under Law 130, Decree No. 310 and the Bank of Italy Regulations. The recourse of the Bondholders to the Guarantor under the Guarantee will be limited to the assets of the Cover Pool subject to, and in accordance with, the relevant Priority of Payments pursuant to which specified payments will be made to other parties prior to payments to the Bondholders.

12.2 Non petition

Only the Representative of the Bondholders may pursue the remedies available under the general law or under the Programme Documents to obtain payment of the Guaranteed Obligations or enforce the Guarantee and/or the Security and no Bondholder shall be entitled to proceed directly against the Guarantor to obtain payment of the Guaranteed Obligations or to enforce the Guarantee and/or the Security. In particular:

12.2.1 no Bondholder (nor any person on its behalf, except the Representative of the Bondholders) is entitled, otherwise than as permitted by the Programme Documents, to direct the Representative of the Bondholders to enforce the Guarantee and/or Security or take any proceedings against the Guarantor to enforce the Guarantee and/or the Security;

12.2.2 no Bondholder (nor any person on its behalf, except the Representative of the Bondholders) shall have the right to take or join any person in taking any steps against the Guarantor for the purpose of obtaining payment of any amount due from the Guarantor;

12.2.3 until the date falling two years and one day after the date on which all Series and Tranches of Covered Bonds issued in the context of the Programme have been cancelled or redeemed in full in accordance with their Conditions and the relevant final Terms no Bondholder (nor any person on its behalf, except the Representative of the Bondholders) shall initiate or join any person in initiating an Insolvency Event in relation to the Guarantor; and

12.2.4 no Bondholder shall be entitled to take or join in the taking of any corporate action, legal proceedings or other procedure or step which would result in the Priority of Payments not being complied with.

13. PRESCRIPTION

Claims for payment under the Covered Bonds shall become void unless made within ten years (in respect of principal) or five years (in respect of interest) from the due date thereof.

14. REPRESENTATIVE OF THE BONDHOLDERS

(a) *Organisation of the Bondholders*: The Organisation of the Bondholders shall be established upon, and by virtue of, the issue of the first Series of Covered Bonds under the Programme and shall remain in force and in effect until repayment in full or cancellation of all the Covered Bonds of whatever Series or Tranche. Pursuant to the Rules, for as long as any Covered Bonds of any Series or Tranche are outstanding, there shall at all times be a Representative of the Bondholders. The appointment of the Representative of the Bondholders as legal representative of the Organisation of the Bondholders is made by the Bondholders subject to and in accordance with the Rules.

(b) *Initial appointment*: In the Programme Agreement, the Dealers have appointed the Representative of the Bondholders to perform the activities described in the Mandate Agreement, in the Programme Agreement, in these Conditions (including the Rules), and in the other Programme Documents and the Representative of the Bondholders has accepted such appointment for the period commencing on the Issue Date and ending (subject to early termination of its appointment) on the date on which all of the Covered Bonds of whatever Series and Tranche have been cancelled or redeemed in accordance with their respective terms and conditions.

(c) *Acknowledgment by Bondholders*: Each Bondholder, by reason of holding Covered Bonds:

(i) recognises the Representative of the Bondholders as its representative and (to the fullest extent permitted by law) agrees to be bound by the Programme Documents; and

(ii) acknowledges and accepts that the Dealers shall not be liable in respect of any loss, liability, claim, expenses or damage suffered or incurred by any of the Bondholders as a result of the performance by the Representative of the Bondholders of its duties or the exercise of any of its rights under the Programme Documents.

15. AGENTS

In acting under the Cash Allocation, Management and Payments Agreement and in connection with the Covered Bonds, the Paying Agents act solely as agents of the Issuer and, following service of a Guarantee Enforcement Notice or a Guarantor Default Notice, as agents of the Guarantor and do not assume any obligations towards or relationship of agency or trust for or with any of the Bondholders.

The Principal Paying Agent and its initial Specified Office is set out in these Conditions. Any additional Paying Agents and their Specified Offices are specified in the relevant Final Terms. The Issuer and the Guarantor reserve the right at any time to vary or terminate the appointment of any Paying Agent and to appoint a successor principal paying agent and additional or successor paying agents; **provided, however, that**:

(a) the Issuer and the Guarantor shall at all times maintain a principal paying agent; and

(b) the Issuer and the Guarantor shall at all times maintain a paying agent in an EU member state that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000; and

(c) if and for so long as the Covered Bonds are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent in any particular place, the Issuer and the Guarantor shall maintain a Paying Agent having its specified office in the place required by such competent authority, stock exchange and/or quotation system.

Notice of any change in any of the Paying Agents or in their Specified Offices shall promptly be given to the Bondholders.

16. FURTHER ISSUES

The Issuer may from time to time, without the consent of the Bondholders, create and issue further Covered Bonds, as set out in the relevant Final Terms, having the same terms and conditions as the Covered Bonds in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Covered Bonds.

17. NOTICES

(a) *Notices given through Monte Titoli*: Any notice regarding the Covered Bonds issued in bearer and dematerialised form, as long as the Covered Bonds are held through Monte Titoli, shall be deemed to have been duly given if given through the systems of Monte Titoli.

(b) *Notices in Luxembourg*: As long as the Covered Bonds are listed on the Luxembourg Stock Exchange and the rules of such exchange so require, any notice to Bondholders shall also be published on the website of the Luxembourg Stock Exchange (*www.bourse.lu*).

(c) *Other publication*: The Representative of the Bondholders shall be at liberty to sanction any other method of giving notice to Bondholders if, in its opinion, such other method is reasonable having regard to market practice then prevailing and to the rules of the competent authority, stock exchange and/or quotation system by which the Covered Bonds are then admitted to listing, trading and/or quotation and provided that notice of such other method is given to the holders of the Covered Bonds in such manner as the Representative of the Bondholders shall require.

18. ROUNDING

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Final Terms), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one

hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.), (b) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount, and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

19. GOVERNING LAW AND JURISDICTION

(a) *Governing law*: The Covered Bonds will be governed by Italian law. These Conditions and the related Programme Documents will be governed by Italian law, except for the Swap Agreements and the English Account Bank Agreement, which will be governed by English law.

(b) *Jurisdiction*: The courts of Milan have exclusive competence for the resolution of any dispute that may arise in relation to the Covered Bonds or their validity, interpretation or performance.

(c) *Relevant legislation*: Anything not expressly provided for in these Conditions will be governed by the provisions of Law 130 and, if applicable, Article 58 of the Consolidated Banking Act, the Bank of Italy Regulations and Decree No. 310.

RULES OF THE ORGANISATION OF THE BONDHOLDERS

TITLE I
GENERAL PROVISIONS

1. GENERAL

1.1 The Organisation of the Bondholders in respect of all Covered Bonds of whatever Series or Tranche issued under the Programme by Banca Monte dei Paschi di Siena S.p.A. is created concurrently with the issue and subscription of the Covered Bonds of the first Series to be issued and is governed by these Rules of the Organisation of the Bondholders ("**Rules**").

1.2 These Rules shall remain in force and effect until full repayment or cancellation of all the Covered Bonds of whatever Series or Tranche.

1.3 The contents of these Rules are deemed to be an integral part of the Conditions of the Covered Bonds of each Series or Tranche issued by the Issuer.

2. DEFINITIONS AND INTERPRETATION

2.1 Definitions

In these Rules, the terms below shall have the following meanings:

"**Block Voting Instruction**" means, in relation to a Meeting, a document issued by a Paying Agent:

(a) certifying that specified Covered Bonds are held to the order of a Paying Agent or under its control or have been blocked in an account with a clearing system and will not be released until a the earlier of:

(i) a specified date which falls after the conclusion of the Meeting; and

(ii) the surrender to the Paying Agent which issued the same not less than 48 hours before the time fixed for the Meeting (or, if the meeting has been adjourned, the time fixed for its resumption) of confirmation that the Covered Bonds are Blocked Covered Bonds and notification of the release thereof by such Paying Agent to the Issuer and Representative of the Bondholders;

(b) certifying that the Holder of the relevant Blocked Covered Bonds or a duly authorised person on its behalf has notified the relevant Paying Agent that the votes attributable to such Covered Bonds are to be cast in a particular way on each resolution to be put to the Meeting and that during the period of 48 hours before the time fixed for the Meeting such instructions may not be amended or revoked;

(c) listing the aggregate principal amount of such specified Blocked Covered Bonds, distinguishing between those in respect of which instructions have been given to vote for, and against, each resolution; and

(d) authorising a named individual to vote in accordance with such instructions;

"**Blocked Covered Bonds**" means Covered Bonds which have been blocked in an account with a clearing system or otherwise are held to the order of or under the control of a Paying Agent for the purpose of obtaining from that Paying Agent a Block Voting Instruction or a Voting Certificate on terms that they will not be released until after the conclusion of the Meeting in respect of which the Block Voting Instruction or Voting Certificate is required;

"**Chairman**" means, in relation to any Meeting, the person who takes the chair in accordance with Article 8 (*Chairman of the Meeting*).

"**Event of Default**" means an Issuer Event of Default or a Guarantor Event of Default;

"**Extraordinary Resolution**" means a resolution passed at a Meeting, duly convened and held in accordance with the provisions contained in these Rules by a majority of not less than three quarters of the votes cast;

"**Fitch**" means Fitch Ratings Ltd;

"**Holder**" or "**holder**" means in respect of Covered Bonds, the ultimate owner of such Covered Bonds;

"**Liabilities**": means all costs, charges, damages, expenses, liabilities and losses;

"**Meeting**" means a meeting of Bondholders (whether originally convened or resumed following an adjournment);

"**Monte Titoli Account Holder**" means any authorised financial intermediary institution entitled to hold accounts on behalf of its customers with Monte Titoli (as intermediari aderenti) in accordance with Article 30 of Italian Legislative Decree No. 213 and includes any depository banks appointed by the Relevant Clearing System;

"**Moody's**" means Moody's Investors Service Limited;

"**Ordinary Resolution**" means any resolution passed at a Meeting, duly convened and held in accordance with the provisions contained in these Rules by a majority of more than 50% of the votes cast;

"**Programme Resolution**" means an Extraordinary Resolution passed at a single meeting of the Bondholders of all Series and or Tranches, duly convened and held in accordance with the provisions contained in these Rules (i) to direct the Representative of the Bondholders to take any action pursuant to Condition 11.2 (*Issuer Event of Default*), Condition 11.3 (*Guarantor Event of Default*) or to appoint or remove the Representative of the Bondholders pursuant to Article 26 (*Appointment, Removal and Remuneration*); or (iii) to take any other action stipulated in the Conditions or Programme Documents as requiring a Programme Resolution;

"**Proxy**" means a person appointed to vote under a Voting Certificate as a proxy or a person appointed to vote under a Block Voting Instruction, in each case other than:

(a) any person whose appointment has been revoked and in relation to whom the relevant Paying Agent, or in the case of a proxy appointed under a Voting Certificate, the Issuer has been notified in writing of such revocation by the time which is 48 hours before the time fixed for the relevant Meeting; and

(b) any person appointed to vote at a Meeting which has been adjourned for want of a quorum and who has not been reappointed to vote at the Meeting when it is resumed;

"**Rating Agencies**" means Fitch and Moody's and each of them is a "Rating Agency";

"**Resolutions**" means the Ordinary Resolutions, the Extraordinary Resolutions and the Programme Resolutions, collectively;

"**Swap Rate**" means, in relation to a Covered Bond, Series or Tranche of Covered Bonds, the exchange rate specified in any Swap Agreement relating to such Covered Bond, Series or Tranche of Covered Bonds or, if there is not exchange rate specified or if the Swap Agreements have terminated, the applicable spot rate;

"**Transaction Party**" means any person who is a party to a Programme Document;

"**Voter**" means, in relation to a Meeting, the Holder or a Proxy named in a Voting Certificate, the bearer of a Voting Certificate issued by a Paying Agent or a Proxy named in a Block Voting Instruction;

"**Voting Certificate**" means, in relation to any Meeting:

(a) a certificate issued by a Monte Titoli Account Holder in accordance with the regulation issued jointly by the Bank of Italy and CONSOB on 22 February 2008, as amended from time to time; or

(b) a certificate issued by a Paying Agent stating:

(i) that Blocked Covered Bonds will not be released until the earlier of:

(A) a specified date which falls after the conclusion of the Meeting; and

(B) the surrender of such certificate to such Paying Agent; and

(i) the bearer of the certificate is entitled to attend and vote at such Meeting in respect of such Blocked Covered Bonds.

"**Written Resolution**" means a resolution in writing signed by or on behalf of one or more persons being or representing at least 75 per cent of all the Bondholders who at any relevant time are entitled to participate in a Meeting in accordance with the provisions of these Rules, whether contained in one document or several documents in the same form, each signed by or on behalf of one or more of such Bondholders;

"**24 hours**" means a period of 24 hours including all or part of a day on which banks are open for business both in the place where any relevant Meeting is to be held and in each of the places where the Paying Agents have their Specified Offices; and

"**48 hours**" means two consecutive periods of 24 hours.

Unless otherwise provided in these Rules, or unless the context requires otherwise, words and expressions used in these Rules shall have the meanings and the construction ascribed to them in the Conditions to which there Rules are attached.

2.2 Interpretation

In these Rules:

2.2.1 any reference herein to an "**Article**" shall, except where expressly provided to the contrary, be a reference to an article of these Rules of the Organisation of the Bondholders;

2.2.2 a "**successor**" of any party shall be construed so as to include an assignee or successor in title of such party and any person who under the laws of the jurisdiction of incorporation or domicile of such party has assumed the rights and obligations of such party under any Programme Document or to which, under such laws, such rights and obligations have been transferred; and

2.2.3 any reference to any Transaction Party shall be construed so as to include its and any subsequent successors and transferees in accordance with their respective interests.

2.3 **Separate Series or Tranches**

Subject to the provisions of the next sentence, the Covered Bonds of each Series or Tranche shall form a separate Series or Tranche of Covered Bonds and accordingly, unless for any purpose the Representative of the Bondholders in its absolute discretion shall otherwise determine, the provisions of this sentence and of Articles 3 (*Purpose of the Organisation*) to 25 (*Meetings and Separate Series or Tranches*) and 28 (*Duties and Powers of the Representative of the Bondholders*) to 36 (*Powers to Act on behalf of the Guarantor*) shall apply mutatis mutandis separately and independently to the Covered Bonds of each Series or Tranche. However, for the purposes of this Article 2.3:

2.3.1 Articles 26 (*Appointment, removal and remuneration*) and 27 (*Resignation of the Representative of the Bondholders*); and

2.3.2 insofar as they relate to a Programme Resolution, Articles 3 (*Purpose of the Organisation*) to 24 (*Meetings and Separate Series or Tranches*) and 28 (*Duties and Powers of the Representative of the Bondholders*) to 36 (*Powers to Act on behalf of the Guarantor*),

the Covered Bonds shall be deemed to constitute a single Series or Tranche and the provisions of such Articles shall apply to all the Covered Bonds together as if they constituted a single Series or Tranche and, in such Articles, the expressions "Covered Bonds" and "Bondholders" shall be construed accordingly.

3. PURPOSE OF THE ORGANISATION

3.1 Each Bondholder, whatever Series or Tranche of Covered Bonds he holds, is a member of the Organisation of the Bondholders.

3.2 The purpose of the Organisation of the Bondholders is to co-ordinate the exercise of the rights of the Bondholders and, more generally, to take any action necessary or desirable to protect the interest of the Bondholders.

TITLE II
MEETINGS OF THE BONDHOLDERS

4. VOTING CERTIFICATES AND BLOCK VOTING INSTRUCTIONS

4.1 A Bondholder may obtain a Voting Certificate in respect of a Meeting by requesting its Monte Titoli Account Holder to issue a certificate in accordance with the regulation issued jointly by the Bank of Italy and CONSOB on 22 February 2008, as amended from time to time.

4.2 A Bondholder may also obtain a Voting Certificate from a Paying Agent or require a Paying Agent to issue a Block Voting Instruction by arranging for Covered Bonds to be (to the satisfaction of the Paying Agent) held to its order or under its control or blocked in an account in a clearing system (other than Monte Titoli) not later than 48 hours before the time fixed for the relevant Meeting.

4.3 A Voting Certificate or Block Voting Instruction shall be valid until the release of the Blocked Covered Bonds to which it relates.

4.4 So long as a Voting Certificate or Block Voting Instruction is valid, the person named therein as Holder or Proxy (in the case of a Voting Certificate issued by a Monte Titoli Account Holder), the bearer thereof (in the case of a Voting Certificate issued by a Paying Agent), and any Proxy named therein (in the case of a Block Voting Instruction issued by a Paying Agent) shall be deemed to be the Holder of the Covered Bonds to which it relates for all purposes in connection with the Meeting to which such Voting Certificate or Block Voting Instruction relates.

4.5 A Voting Certificate and a Block Voting Instruction cannot be outstanding simultaneously in respect of the same Covered Bonds.

4.6 References to the blocking or release of Covered Bonds shall be construed in accordance with the usual practices (including blocking the relevant account) of any Relevant Clearing System.

5. VALIDITY OF BLOCK VOTING INSTRUCTIONS

A Block Voting Instruction or a Voting Certificate issued by a Monte Titoli Account Holder shall be valid for the purpose of the relevant Meeting only if it is deposited at the Specified Offices of the Principal Paying Agent, or at any other place approved by the Representative of the Bondholders, at least 24 hours before the time fixed for the relevant Meeting. If a Block Voting Instruction or a Voting Certificate is not deposited before such deadline, it shall not be valid. If the Representative of the Bondholders so requires, a notarised (or otherwise acceptable) copy of each Block

Voting Instruction and satisfactory evidence of the identity of each Proxy named in a Block Voting Instruction or of each Holders or Proxy named in a Voting Certificate issued by a Monte Titoli Account Holder shall be produced at the Meeting but the Representative of the Bondholders shall not be obliged to investigate the validity of a Block Voting Instruction or a Voting Certificate or the identity of any Proxy or any holder of the Covered Bonds named in a Voting Certificate or a Block Voting Instruction.

6. CONVENING A MEETING

6.1 Convening a Meeting

The Representative of the Bondholders, the Guarantor or the Issuer may and (in relation to a meeting for the passing of a Programme Resolution) the Issuer shall upon a requisition in writing signed by the holders of not less than five per cent. of the Principal Amount Outstanding of the Covered Bonds for the time being outstanding convene a meeting of the Bondholders and if the Issuer makes default for a period of seven days in convening such a meeting requisitioned by the Bondholders the same may be convened by the Representative of the Bondholders or the requisitionists. The Representative of the Bondholders may convene a single meeting of the holders of Covered Bonds of more than one Series or Tranche if in the opinion of the Representative of the Bondholders there is no conflict between the holders of the Covered Bonds of the relevant Series or Tranche, in which event the provisions of this Schedule shall apply thereto *mutatis mutandis*.

6.2 Meetings convened by Issuer

Whenever the Issuer is about to convene a Meeting, it shall immediately give notice in writing to the Representative of the Bondholders specifying the proposed day, time and place of the Meeting, and the items to be included in the agenda.

6.3 Time and place of Meetings

Every Meeting will be held on a date and at a time and place selected or approved by the Representative of the Bondholders.

7. NOTICE

7.1 Notice of Meeting

At least 21, or 5 in case of a Meeting convened in order to resolve to extend the Test Remedy Period pursuant to Condition 11.2 (*Issuer Events of Default*), days' notice (exclusive of the day notice is delivered and of the day on which the relevant Meeting is to be held), specifying the day, time and place of the Meeting, must be given to the relevant Bondholders and the Paying Agents, with a copy to the Issuer and the Guarantor, where the Meeting is convened by the Representative of the Bondholders, or with a copy to the Representative of the Bondholders, where the Meeting is convened by the Issuer, subject to Article 6.3.

7.2 **Content of notice**

The notice shall set out the full text of any resolution to be proposed at the Meeting unless the Representative of the Bondholders agrees that the notice shall instead specify the nature of the resolution without including the full text and shall state that Voting Certificates for the purpose of such Meeting may be obtained from a Monte Titoli Account Holder in accordance with the provisions of the regulation issued jointly by the Bank of Italy and CONSOB on 22 February 2008, as amended from time to time and that for the purpose of obtaining Voting Certificates from a Paying Agent or appointing Proxies under a Block Voting Instruction, Covered Bonds must (to the satisfaction of such Paying Agent) be held to the order of or placed under the control of such Paying Agent or blocked in an account with a clearing system not later than 48 hours before the relevant Meeting.

7.3 **Validity notwithstanding lack of notice**

A Meeting is valid notwithstanding that the formalities required by this Article 7 are not complied with if the Holders of the Covered Bonds constituting all the Principal Amount Outstanding of the Covered Bonds, the Holders of which are entitled to attend and vote, are represented at such Meeting and the Issuer and the Representative of the Bondholders are present.

8. **CHAIRMAN OF THE MEETING**

8.1 **Appointment of Chairman**

An individual (who may, but need not be, a Bondholder), nominated by the Representative of the Bondholders may take the chair at any Meeting, but if:

8.1.1 the Representative of the Bondholders fails to make a nomination; or

8.1.2 the individual nominated declines to act or is not present within 15 minutes after the time fixed for the Meeting,

the Meeting shall be chaired by the person elected by the majority of the Voters present, failing which, the Issuer shall appoint a Chairman. The Chairman of an adjourned Meeting need not be the same person as was Chairman at the original Meeting.

8.2 **Duties of Chairman**

The Chairman ascertains that the Meeting has been duly convened and validly constituted, manages the business of the Meeting, monitors the fairness of proceedings, leads and moderates the debate, and determines the mode of voting.

8.3 **Assistance to Chairman**

The Chairman may be assisted by outside experts or technical consultants, specifically invited to assist in any given matter, and may appoint one or more vote-counters, who are not required to be Bondholders.

9. **QUORUM**

The quorum at any Meeting will be:

9.1.1 in the case of an Ordinary Resolution, two or more persons holding or representing at least 50 per cent of the Principal Amount Outstanding of the Covered Bonds the holders of which are entitled to attend and vote or, at an adjourned Meeting, two or more persons being or representing Bondholders entitled to attend and vote, whatever the Principal Amount Outstanding of the Covered Bonds so held or represented;

9.1.2 in the case of an Extraordinary Resolution or a Programme Resolution, two or more persons holding or representing at least 50 per cent of the Principal Amount Outstanding of the Covered Bonds the holders of which are entitled to attend and vote or at an adjourned Meeting, two or more persons being or representing Bondholders entitled to attend and vote, whatever the Principal Amount Outstanding of the Covered Bonds so held or represented;

9.1.3 at any meeting the business of which includes any of the following matters (other than in relation to a Programme Resolution) (each of which shall, subject only to Article 32.4 (*Obligation to act*), only be capable of being effected after having been approved by Extraordinary Resolution) namely:

(a) reduction or cancellation of the amount payable or, where applicable, modification of the method of calculating the amount payable or modification of the date of payment or, where applicable, modification of the method of calculating the date of payment in respect of any principal or interest in respect of the Covered Bonds;

(b) alteration of the currency in which payments under the Covered Bonds are to be made;

(c) alteration of the majority required to pass an Extraordinary Resolution;

(d) any amendment to the Guarantee or the Deed of Pledge (except in a manner determined by the Representative of the Bondholders not to be materially prejudicial to the interests of the Bondholders of any Series or Tranche);

(e) except in accordance with Articles 31 (Amendments and Modifications) and 32 (Waiver), the sanctioning of any such scheme or proposal to effect the exchange, conversion or substitution of the Covered Bonds for, or the conversion of such Covered Bonds into, shares, bonds or other obligations or securities of the Issuer or the Guarantor or any other person or body corporate, formed or to be formed; and

(f) alteration of this Article 9.1.3;

(each a "**Series or Tranche Reserved Matter**"), the quorum shall be two or more persons being or representing holders of not less two-thirds of the aggregate Principal Amount Outstanding of the Covered Bonds of such Series or Tranche for the time being outstanding or, at any adjourned meeting, two or

more persons being or representing not less than one-third of the aggregate Principal Amount Outstanding of the Covered Bonds of such Series or Tranche for the time being outstanding,

provided that, if in respect of any Covered Bonds the Paying Agent has received evidence that 90% Covered Bonds are held by a single Holder and the Voting Certificate or Block Voting Instruction so states then a single Voter appointed in relation thereto or being the Holder of the Covered Bonds thereby represented shall be deemed to be two Voters for the purpose of forming a quorum.

10. ADJOURNMENT FOR WANT OF QUORUM

If a quorum is not present for the transaction of any particular business within 15 minutes after the time fixed for any Meeting, then, without prejudice to the transaction of the business (if any) for which a quorum is present:

10.1 if such Meeting was requested by Bondholders, the Meeting shall be dissolved; and

10.2 in any other case, the Meeting (unless the Issuer and the Representative of the Bondholders otherwise agree) shall, subject to paragraphs 10.2.1 and 10.2.2 below, be adjourned to a new date no earlier than 14 days and no later than 42 days after the original date of such Meeting, and to such place as the Chairman determines with the approval of the Representative of the Bondholders **provided that**:

10.2.1 no Meeting may be adjourned more than once for want of a quorum; and

10.2.2 the Meeting shall be dissolved if the Issuer and the Representative of the Bondholders together so decide.

11. ADJOURNED MEETING

Except as provided in Article 10 (Adjournment for Want of Quorum), the Chairman may, with the prior consent of any Meeting, and shall if so directed by any Meeting, adjourn such Meeting to another time and place. No business shall be transacted at any adjourned meeting except business which might have been transacted at the Meeting from which the adjournment took place.

12. NOTICE FOLLOWING ADJOURNMENT

12.1 Notice required

Article 7 (*Notice*) shall apply to any Meeting which is to be resumed after adjournment for lack of a quorum except that:

12.1.1 10 days' notice (exclusive of the day on which the notice is delivered and of the day on which the Meeting is to be resumed) shall be sufficient; and

12.1.2 the notice shall specifically set out the quorum requirements which will apply when the Meeting resumes.

12.2 **Notice not required**

It shall not be necessary to give notice of resumption of any Meeting adjourned for reasons other than those described in Article 10 (Adjournment for Want of Quorum).

13. **PARTICIPATION**

The following categories of persons may attend and speak at a Meeting:

13.1 Voters;

13.2 the directors and the auditors of the Issuer and the Guarantor;

13.3 representatives of the Issuer, the Guarantor and the Representative of the Bondholders;

13.4 financial advisers to the Issuer, the Guarantor and the Representative of the Bondholders;

13.5 legal advisers to the Issuer, the Guarantor and the Representative of the Bondholders; and

13.6 any other person authorised by virtue of a resolution of such Meeting or by the Representative of the Bondholders.

14. **VOTING BY SHOW OF HANDS**

14.1 Every question submitted to a Meeting shall be decided in the first instance by a vote by a show of hands.

14.2 Unless a poll is validly demanded before or at the time that the result is declared, the Chairman's declaration that on a show of hands a resolution has been passed or passed by a particular majority or rejected, or rejected by a particular majority, shall be conclusive without proof of the number of votes cast for, or against, the resolution.

15. **VOTING BY POLL**

15.1 **Demand for a poll**

A demand for a poll shall be valid if it is made by the Chairman, the Issuer, the Guarantor, the Representative of the Bondholders or one or more Voters whatever the Principal Amount Outstanding of the Covered Bonds held or represented by such Voter(s). A poll may be taken immediately or after such adjournment as is decided by the Chairman but any poll demanded on the election of a Chairman or on any question of adjournment shall be taken immediately. A valid demand for a poll shall not prevent the continuation of the relevant Meeting for any other business. The result of a poll shall be deemed to be the resolution of the Meeting at which the poll was demanded.

15.2 **The Chairman and a poll**

The Chairman sets the conditions for the voting, including for counting and calculating the votes, and may set a time limit by which all votes must be cast. Any

vote which is not cast in compliance with the terms specified by the Chairman shall be null and void. After voting ends, the votes shall be counted and, after the counting, the Chairman shall announce to the Meeting the outcome of the vote.

16. VOTES

16.1 Voting

Each Voter shall have:

16.1.1 on a show of hands, one vote; and

16.1.2 on a poll every Vote who is so present shall have one vote in respect of each €1,000 or such other amount as the Representative of the Bondholders may in its absolute discretion stipulate (or, in the case of meetings of holders of Covered Bonds denominated in another currency, such amount in such other currency as the Representative of the Bondholders in its absolute discretion may stipulate) in the Principal Amount Outstanding of the Covered Bonds it holds or represents.

16.2 Block Voting Instruction

Unless the terms of any Block Voting Instruction or Voting Certificate state otherwise in the case of a Proxy, a Voter shall not be obliged to exercise all the votes to which such Voter is entitled or to cast all the votes he exercises the same way.

16.3 Voting tie

In the case of a voting tie, the relevant Resolution shall be deemed to have been rejected.

17. VOTING BY PROXY

17.1 Validity

Any vote by a Proxy in accordance with the relevant Block Voting Instruction or Voting Certificate appointing a Proxy shall be valid even if such Block Voting Instruction or Voting Certificate or any instruction pursuant to which it has been given had been amended or revoked **provided that** none of the Issuer, the Representative of the Bondholders or the Chairman has been notified in writing of such amendment or revocation at least 24 hours prior to the time set for the relevant Meeting.

17.2 Adjournment

Unless revoked, the appointment of a Proxy under a Block Voting Instruction or a Voting Certificate in relation to a Meeting shall remain in force in relation to any resumption of such Meeting following an adjournment save that no such appointment of a Proxy in relation to a meeting originally convened which has been adjourned for want of a quorum shall remain in force in relation to such meeting when it is resumed. Any person appointed to vote at such Meeting must be re-appointed under a Block Voting Instruction or Voting Certificate to vote at the Meeting when it is resumed.

18. RESOLUTIONS

18.1 Ordinary Resolutions

Subject to Article 18.2 (*Extraordinary Resolutions*), a Meeting shall have the following powers exercisable by Ordinary Resolution, to:

18.1.1 grant any authority, order or sanction which, under the provisions of these Rules or of the Conditions, is required to be the subject of an Ordinary Resolution or required to be the subject of a resolution or determined by a Meeting and not required to be the subject of an Extraordinary Resolution; and

18.1.2 to authorise the Representative of the Bondholders or any other person to execute all documents and do all things necessary to give effect to any Ordinary Resolution.

18.2 Extraordinary Resolutions

A Meeting, in addition to any powers assigned to it in the Conditions, shall have power exercisable by Extraordinary Resolution to:

18.2.1 sanction any compromise or arrangement proposed to be made between the Issuer, the Guarantor, the Representative of the Bondholders, the Bondholders or any of them;

18.2.2 approve any modification, abrogation, variation or compromise in respect of (a) the rights of the Representative of the Bondholders, the Issuer, the Guarantor, the Bondholders or any of them, whether such rights arise under the Programme Documents or otherwise, and (b) these Rules, the Conditions or of any Programme Document or any arrangement in respect of the obligations of the Issuer under or in respect of the Covered Bonds, which, in any such case, shall be proposed by the Issuer, the Representative of the Bondholders and/or any other party thereto;

18.2.3 assent to any modification of the provisions of this these Rules or the Programme Documents which shall be proposed by the Issuer, the Guarantor, the Representative of the Bondholders or of any Bondholder;

18.2.4 in accordance with Article 26 (*Appointment, Removal and Remuneration*), appoint and remove the Representative of the Bondholders;

18.2.5 discharge or exonerate, whether retrospectively or otherwise, the Representative of the Bondholders from any liability in relation to any act or omission for which the Representative of the Bondholders has or may become liable pursuant or in relation to these Rules, the Conditions or any other Programme Document;

18.2.6 waive any breach or authorise any proposed breach by the Issuer, the Guarantor or (if relevant) any other Transaction Party of its obligations under or in respect of these Rules, the Covered Bonds or any other Programme Document or any act or omission which might otherwise constitute an Event of Default;

18.2.7 grant any authority, order or sanction which, under the provisions of these Rules or of the Conditions, must be granted by an Extraordinary Resolution;

18.2.8 authorise and ratify the actions of the Representative of the Bondholders in compliance with these Rules, the Intercreditor Agreement and any other Programme Document;

18.2.9 to appoint any persons (whether Bondholders or not) as a committee to represent the interests of the Bondholders and to confer on any such committee any powers which the Bondholders could themselves exercise by Extraordinary Resolution; and

18.2.10 authorise the Representative of the Bondholders or any other person to execute all documents and do all things necessary to give effect to any Extraordinary Resolution.

18.3 Programme Resolutions

A Meeting shall have power exercisable by a Programme Resolution to direct the Representative of the Bondholders to take any action pursuant to Condition 11.2 (b) (*Issuer Events of Default – Breach of other obligations*) and Condition 11.3 (c) (*Guarantor Event of Default - Breach of other obligations*) or to appoint or remove the Representative of the Bondholders pursuant to Article 26 (*Appointment, Removal and Remuneration*) or to take any other action required by the Conditions or any Programme Document to be taken by Programme Resolution.

18.4 Other Series or Tranches of Covered Bonds

No Ordinary Resolution or Extraordinary Resolution other than a Programme Resolution that is passed by the Holders of one Series of Covered Bonds shall be effective in respect of another Series or Tranche of Covered Bonds unless it is sanctioned by an Ordinary Resolution or Extraordinary Resolution (as the case may be) of the Holders of Covered Bonds then outstanding of that other Series or Tranches.

19. EFFECT OF RESOLUTIONS

19.1 Binding nature

Subject to Article 18.4 (*Other Series or Tranches of Covered Bonds*), any resolution passed at a Meeting of the Bondholders duly convened and held in accordance with these Rules shall be binding upon all Bondholders, whether or not present at such Meeting and or not voting. A Programme Resolution passed at any Meeting of the holders of the Covered Bonds of all Series and Tranches shall be binding on all holders of the Covered Bonds of all Series and Tranches, whether or not present at the meeting.

19.2 Notice of voting results

Notice of the results of every vote on a resolution duly considered by Bondholders shall be published (at the cost of the Issuer) in accordance with the Conditions and

given to the Paying Agents (with a copy to the Issuer, the Guarantor and the Representative of the Bondholders within 14 days of the conclusion of each Meeting).

20. CHALLENGE TO RESOLUTIONS

Any absent or dissenting Bondholder has the right to challenge Resolutions which are not passed in compliance with the provisions of these Rules.

21. MINUTES

Minutes shall be made of all resolutions and proceedings of each Meeting. The Minutes shall be signed by the Chairman and shall be *prima facie* evidence of the proceedings therein recorded. Unless and until the contrary is proved, every Meeting in respect of which minutes have been signed by the Chairman shall be regarded as having been duly convened and held and all resolutions passed or proceedings transacted shall be regarded as having been duly passed and transacted.

22. WRITTEN RESOLUTION

A Written Resolution shall take effect as if it were an Extraordinary Resolution or, in respect of matters required to be determined by Ordinary Resolution, as if it were an Ordinary Resolution.

23. INDIVIDUAL ACTIONS AND REMEDIES

Each Bondholder has accepted and is bound by the provisions of Condition 12 (*Limited Recourse and Non Petition*) and clause 10 (*Limited Recourse*) of the Guarantee, accordingly, if any Bondholder is considering bringing individual actions or using other individual remedies to enforce his/her rights under the Guarantee (hereinafter, a "**Claiming Bondholder**"), then such Claiming Bondholder intending to enforce his/her rights under the Covered Bonds will notify the Representative of the Bondholders of his/her intention. The Representative of the Bondholders shall inform the other Bondholders of such prospective individual actions and remedies of which the Representative of the Bondholders has been informed by the Claiming Bondholder or otherwise and invite them to raise, in writing, any objection that they may have by a specific date not more than 30 days after the date of the Representative of the Bondholders notification and not less than 15 days after such notification. If Bondholders representing 5% or more of the aggregate Principal Amount Outstanding of the Covered Bonds then outstanding object to such prospective individual actions and remedies, then the Claiming Bondholder will be prevented from taking any individual action or remedy (without prejudice to the fact that after a reasonable period of time, the same matter may be resubmitted to the Representative of the Bondholders pursuant to the terms of this Article).

24. MEETINGS AND SEPARATE SERIES OR TRANCHES

24.1 Choice of Meeting

If and whenever the Issuer shall have issued and have outstanding Covered Bonds of more than one Series or Tranche the foregoing provisions of this Schedule shall have effect subject to the following modifications:

24.1.1 a resolution which in the opinion of the Representative of the Bondholders affects the Covered Bonds of only one Series or Tranche shall be deemed to have been duly passed if passed at a separate meeting of the holders of the Covered Bonds of that Series or Tranches;

24.1.2 a resolution which in the opinion of the Representative of the Bondholders affects the Covered Bonds of more than one Series or Tranche but does not give rise to a conflict of interest between the holders of Covered Bonds of any of the Series or Tranche so affected shall be deemed to have been duly passed if passed at a single meeting of the holders of the Covered Bonds of all the Series or Tranches so affected;

24.1.3 a resolution which in the opinion of the Representative of the Bondholders affects the Covered Bonds of more than one Series or Tranche and gives or may give rise to a conflict of interest between the holders of the Covered Bonds of one Series or Tranche or group of Series or Tranches so affected and the holders of the Covered Bonds of another Series or Tranche or group of Series or Tranches so affected shall be deemed to have been duly passed only if passed at separate meetings of the holders of the Covered Bonds of each Series or Tranche or group of Series or Tranches so affected;

24.1.4 a Programme Resolution shall be deemed to have been duly passed only if passed at a single meeting of the Bondholders of all Series or Tranches; and

24.1.5 to all such meetings all the preceding provisions of these Rules shall mutatis mutandis apply as though references therein to Covered Bonds and Bondholders were references to the Covered Bonds of the Series or Tranche or group of Series or Tranches in question or to the holders of such Covered Bonds, as the case may be.

24.2 Denominations other than euro

If the Issuer has issued and has outstanding Covered Bonds which are not denominated in euro in the case of any meeting or request in writing or Written Resolution of holders of Covered Bonds of more than one currency (whether in respect of a meeting or any adjourned such meeting or any poll resulting therefrom or any such request or Written Resolution) the Principal Amount Outstanding of such Covered Bonds shall be the equivalent in euro at the relevant Swap Rate. In such circumstances, on any poll each person present shall have one vote for each €1.00 (or such other euro amount as the Representative of the Bondholders may in its absolute discretion stipulate) of the Principal Amount Outstanding of the Covered Bonds (converted as above) which he holds or represents.

25. FURTHER REGULATIONS

Subject to all other provisions contained in these Rules, the Representative of the Bondholders may, without the consent of the Issuer, prescribe such further regulations regarding the holding of Meetings and attendance and voting at them and/or the provisions of a Written Resolution as the Representative of the Bondholders in its sole discretion may decide.

TITLE III
THE REPRESENTATIVE OF THE BONDHOLDERS

26. APPOINTMENT, REMOVAL AND REMUNERATION

26.1 Appointment

The appointment of the Representative of the Bondholders takes place by Programme Resolution in accordance with the provisions of this Article 26, except for the appointment of the first Representative of the Bondholders which will be BNY Mellon Corporate Trustee Services Limited.

26.2 Identity of Representative of the Bondholders

The Representative of the Bondholders shall be:

26.2.1 a bank incorporated in any jurisdiction of the EEA or a bank incorporated in any other jurisdiction acting through an Italian branch; or

26.2.2 a company or financial institution enrolled with the register held by the Bank of Italy pursuant to Article 106 of Italian Legislative Decree No. 385 of 1993; or

26.2.3 any other entity which is not prohibited from acting in the capacity of Representative of the Bondholders pursuant to the law.

The directors and auditors of the Issuer and those who fall within the conditions set out in Article 2399 of the Italian Civil Code cannot be appointed as Representative of the Bondholders and, if appointed as such, they shall be automatically removed.

26.3 Duration of appointment

Unless the Representative of the Bondholders is removed by Programme Resolution of the Bondholders pursuant to Article 18.3 (*Programme Resolution*) or resigns pursuant to Article 27 (*Resignation of the Representative of the Bondholders*), it shall remain in office until full repayment or cancellation of all the Covered Bonds.

26.4 After termination

In the event of a termination of the appointment of the Representative of the Bondholders for any reason whatsoever, such representative shall remain in office until the substitute Representative of the Bondholders, which shall be an entity specified in Article 26.2 (*Identity of Representative of the Bondholders*), accepts its appointment, and the powers and authority of the Representative of the Bondholders whose appointment has been terminated shall, pending the acceptance of its appointment by the substitute, be limited to those necessary to perform the essential functions required in connection with the Covered Bonds.

26.5 Remuneration

The Issuer, failing which the Guarantor, shall pay to the Representative of the Bondholders an annual fee for its services as Representative of the Bondholders from

the Issue Date, as agreed either in the initial agreement(s) for the issue of and subscription for the Covered Bonds or in a separate fee letter. Such fees shall accrue from day to day and shall be payable in accordance with the priority of payments set out in the Intercreditor Agreement up to (and including) the date when all the Covered Bonds of whatever Series or Tranche shall have been repaid in full or cancelled in accordance with the Conditions.

27. RESIGNATION OF THE REPRESENTATIVE OF THE BONDHOLDERS

The Representative of the Bondholders may resign at any time by giving at least three calendar months' written notice to the Issuer and the Guarantor, without needing to provide any specific reason for the resignation and without being responsible for any costs incurred as a result of such resignation. The resignation of the Representative of the Bondholders shall not become effective until a new Representative of the Bondholders has been appointed in accordance with Article 26.1 (*Appointment*) and such new Representative of the Bondholders has accepted its appointment. **Provided that** if Bondholders fail to select a new Representative of the Bondholders within three months of written notice of resignation delivered by the Representative of the Bondholders, the Representative of the Bondholders may appoint a successor which is a qualifying entity pursuant to Article 26.2 (*Identity of the Representative of the Bondholders*).

28. DUTIES AND POWERS OF THE REPRESENTATIVE OF THE BONDHOLDERS

28.1 Representative of the Bondholders as legal representative

The Representative of the Bondholders is the legal representative of the Organisation of the Bondholders and has the power to exercise the rights conferred on it by the Programme Documents in order to protect the interests of the Bondholders.

28.2 Meetings and resolutions

Unless any Resolution provides to the contrary, the Representative of the Bondholders is responsible for implementing all resolutions of the Bondholders. The Representative of the Bondholders has the right to convene and attend Meetings (together with its adviser) to propose any course of action which it considers from time to time necessary or desirable.

28.3 Delegation

The Representative of the Bondholders may in the exercise of the powers, discretions and authorities vested in it by these Rules and the Programme Documents:

28.3.1 act by responsible officers or a responsible officer for the time being of the Representative of the Bondholders;

28.3.2 whenever it considers it expedient and in the interest of the Bondholders, whether by power of attorney or otherwise, delegate to any person or persons or fluctuating body of persons some, but not all, of the powers, discretions or authorities vested in it as aforesaid.

Any such delegation pursuant to Article 28.3.1 may be made upon such conditions and subject to such regulations (including power to sub-delegate) as the Representative of the Bondholders may think fit in the interest of the Bondholders. The Representative of the Bondholders shall not be bound to supervise the acts or proceedings of such delegate or sub-delegate and shall not in any way or to any extent be responsible for any loss incurred by reason of any misconduct, omission or default on the part of such delegate or sub-delegate, **provided that** the Representative of the Bondholders shall use all reasonable care in the appointment of any such delegate and shall be responsible for the instructions given by it to such delegate. The Representative of the Bondholders shall, as soon as reasonably practicable, give notice to the Issuer and the Guarantor of the appointment of any delegate and any renewal, extension and termination of such appointment, and shall procure that any delegate shall give notice to the Issuer and the Guarantor of the appointment of any sub-delegate as soon as reasonably practicable.

28.4 **Judicial proceedings**

The Representative of the Bondholders is authorised to represent the Organisation of the Bondholders in any judicial proceedings including any Insolvency Event in respect of the Issuer and/or the Guarantor.

28.5 **Consents given by Representative of Bondholders**

Any consent or approval given by the Representative of the Bondholders under these Rules and any other Programme Document may be given on such terms and subject to such conditions (if any) as the Representative of the Bondholders deems appropriate and, notwithstanding anything to the contrary contained in the Rules or in the Programme Documents, such consent or approval may be given retrospectively.

28.6 **Discretions**

Save as expressly otherwise provided herein, the Representative of the Bondholders shall have absolute discretion as to the exercise or non-exercise of any right, power and discretion vested in the Representative of the Bondholders by these Rules or by operation of law.

28.7 **Obtaining instructions**

In connection with matters in respect of which the Representative of the Bondholders is entitled to exercise its discretion hereunder, the Representative of the Bondholders has the right (but not the obligation) to convene a Meeting or Meetings in order to obtain the Bondholders' instructions as to how it should act. Prior to undertaking any action, the Representative of the Bondholders shall be entitled to request that the Bondholders indemnify it and/or provide it with security as specified in Article 29.2 (*Specific Limitations*).

28.8 **Remedy**

The Representative of the Bondholders may determine whether or not a default in the performance by the Issuer or the Guarantor of any obligation under the provisions of these Rules, the Covered Bonds or any other Programme Documents may be

remedied, and if the Representative of the Bondholders certifies that any such default is, in its opinion, not capable of being remedied, such certificate shall be conclusive and binding upon the Issuer, the Bondholders, the other creditors of the Guarantor and any other party to the Programme Documents.

29. EXONERATION OF THE REPRESENTATIVE OF THE BONDHOLDERS

29.1 Limited obligations

The Representative of the Bondholders shall not assume any obligations or responsibilities in addition to those expressly provided herein and in the Programme Documents.

29.2 Specific limitations

Without limiting the generality of the Article 29.1, the Representative of the Bondholders:

29.2.1 shall not be under any obligation to take any steps to ascertain whether an Event of Default, Segregation Event or any other event, condition or act, the occurrence of which would cause a right or remedy to become exercisable by the Representative of the Bondholders hereunder or under any other Programme Document, has occurred and, until the Representative of the Bondholders has actual knowledge or express notice to the contrary, it shall be entitled to assume that no Segregation Event, Event of Default or such other event, condition or act has occurred;

29.2.2 shall not be under any obligation to monitor or supervise the observance and performance by the Issuer or the Guarantor or any other parties of their obligations contained in these Rules, the Programme Documents or the Conditions and, until it shall have actual knowledge or express notice to the contrary, the Representative of the Bondholders shall be entitled to assume that the Issuer or the Guarantor and each other party to the Programme Documents are duly observing and performing all their respective obligations;

29.2.3 except as expressly required in these Rules or any Programme Document, shall not be under any obligation to give notice to any person of its activities in performance of the provisions of these Rules or any other Programme Document;

29.2.4 shall not be responsible for investigating the legality, validity, effectiveness, adequacy, suitability or genuineness of these Rules or of any Programme Document, or of any other document or any obligation or right created or purported to be created hereby or thereby or pursuant hereto or thereto, and (without prejudice to the generality of the foregoing) it shall not have any responsibility for or have any duty to make any investigation in respect of or in any way be liable whatsoever for:

(a) the nature, status, creditworthiness or solvency of the Issuer or the Guarantor;

(b) the existence, accuracy or sufficiency of any legal or other opinion, search, report, certificate, valuation or investigation delivered or obtained or required to be delivered or obtained at any time in connection with the Programme;

(c) the suitability, adequacy or sufficiency of any collection procedure operated by the Servicer or compliance therewith;

(d) the failure by the Issuer to obtain or comply with any licence, consent or other authorisation in connection with the purchase or administration of the assets contained in the Cover Pool; and

(e) any accounts, books, records or files maintained by the Issuer, the Guarantor, the Servicer and the Paying Agent or any other person in respect of the Cover Pool or the Covered Bonds;

29.2.5 shall not be responsible for the receipt or application by the Issuer of the proceeds of the issue of the Covered Bonds or the distribution of any of such proceeds to the persons entitled thereto;

29.2.6 shall have no responsibility for procuring or maintaining any rating of the Covered Bonds by any credit or rating agency or any other person;

29.2.7 shall not be responsible for investigating any matter which is the subject of any recital, statement, warranty, representation or covenant by any party other than the Representative of the Bondholders contained herein or in any Programme Document or any certificate, document or agreement relating thereto or for the execution, legality, validity, effectiveness, enforceability or admissibility in evidence thereof;

29.2.8 shall not be liable for any failure, omission or defect in registering or filing or procuring registration or filing of or otherwise protecting or perfecting these Rules or any Programme Document;

29.2.9 shall not be bound or concerned to examine or enquire into or be liable for any defect or failure in the right or title of the Guarantor in relation to the assets contained in the Cover Pool or any part thereof, whether such defect or failure was known to the Representative of the Bondholders or might have been discovered upon examination or enquiry or whether capable of being remedied or not;

29.2.10 shall not be under any obligation to guarantee or procure the repayment of the Assets contained in the Cover Pool or any part thereof;

29.2.11 shall not be responsible for reviewing or investigating any report relating to the Cover Pool or any part thereof provided by any person, with the exception of the Test Performance Report for the purposes of delivery of the notice;

29.2.12 shall not be responsible for or have any liability with respect to any loss or damage arising from the realisation of the Cover Pool or any part thereof;

29.2.13 shall not be responsible (except as expressly provided in the Conditions) for making or verifying any determination or calculation in respect of the Covered Bonds, the Cover Pool or any Programme Document;

29.2.14 shall not be under any obligation to insure the Cover Pool or any part thereof;

29.2.15 shall, when in these Rules or any Programme Document it is required in connection with the exercise of its powers, trusts, authorities or discretions to have regard to the interests of the Bondholders, have regard to the overall interests of the Bondholders of each Series or Tranche as a class of persons and shall not be obliged to have regard to any interests arising from circumstances particular to individual Bondholders whatever their number and, in particular but without limitation, shall not have regard to the consequences of such exercise for individual Bondholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or taxing authority;

29.2.16 shall not, if in connection with the exercise of its powers, trusts, authorities or discretions, it is of the opinion that the interest of the holders of the Covered Bonds of any one or more Series or Tranche would be materially prejudiced thereby, exercise such power, trust, authority or discretion without the approval of such Bondholders by Extraordinary Resolution or by a written resolution of such Bondholders of not less than 75 per cent. of the Principal Amount Outstanding of the Covered Bonds of the relevant Series or Tranche then outstanding;

29.2.17 shall, with respect to the powers, trusts, authorities and discretions vested in it by the Programme Documents, except where expressly provided therein, have regard to the interests of both the Bondholders and the other creditors of the Issuer or the Guarantor but if, in the opinion of the Representative of the Bondholders, there is a conflict between their interests the Representative of the Bondholders will have regard solely to the interest of the Bondholders;

29.2.18 may refrain from taking any action or exercising any right, power, authority or discretion vested in it under these Rules or any Programme Document or any other agreement relating to the transactions herein or therein contemplated until it has been indemnified and/or secured to its satisfaction against any and all actions, proceedings, claims and demands which might be brought or made against it and against all Liabilities suffered, incurred or sustained by it as a result. Nothing contained in these Rules or any of the other Programme Documents shall require the Representative of the Bondholders to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties or the exercise of any right, power, authority or discretion hereunder; and

29.2.19 shall not have any liability for any loss, liability, damages claim or expense directly or indirectly suffered or incurred by the Issuer, the Guarantor, any Bondholder, any Other Guarantor Creditor or any other person as a result of (a) the delivery by the Representative of the Bondholders of the certificate of incapability of remedy relating any material default of obligations pursuant to

Condition 11.2 (*Issuer Events of Default*) and Condition 11.3 (*Guarantor Events of Default*) on the basis of an opinion formed by it in good faith; or (b) any determination, any act, matter or thing that will not be materially prejudicial to the interests of the Bondholders as a whole or the interests of the Bondholders of any Series or Tranche.

29.3 **Covered Bonds held by Issuer**

The Representative of the Bondholders may assume without enquiry that no Covered Bonds are, at any given time, held by or for the benefit of the Issuer.

29.4 **Illegality**

No provision of these Rules shall require the Representative of the Bondholders to do anything which may be illegal or contrary to applicable law or regulations or to expend moneys or otherwise take risks in the performance of any of its duties, or in the exercise of any of its powers or discretion. The Representative of the Bondholders may refrain from taking any action which would or might, in its opinion, be contrary to any law of any jurisdiction or any regulation or directive of any agency of any state, or if it has reasonable grounds to believe that it will not be reimbursed for any funds it expends, or that it will not be indemnified against any loss or liability which it may incur as a consequence of such action. The Representative of the Bondholders may do anything which, in its opinion, is necessary to comply with any such law, regulation or directive as aforesaid.

30. **RELIANCE ON INFORMATION**

30.1 **Advice**

The Representative of the Bondholders may act on the advice of a certificate or opinion of, or any written information obtained from, any lawyer, accountant, banker, broker, credit or rating agency or other expert, whether obtained by the Issuer, the Guarantor, the Representative of the Bondholders or otherwise, and shall not be liable for any loss occasioned by so acting. Any such opinion, advice, certificate or information may be sent or obtained by letter, telegram, e-mail or fax transmission and the Representative of the Bondholders shall not be liable for acting on any opinion, advice, certificate or information purporting to be so conveyed although the same contains some error or is not authentic and, when in the opinion of the Representative of the Bondholders to obtain such advice on any other basis is not viable notwithstanding any limitation or cap on Liability in respect thereof.

30.2 **Certificates of Issuer and/or Guarantor**

The Representative of the Bondholders may require, and shall be at liberty to accept (a) as sufficient evidence

30.2.1 as to any fact or matter *prima facie* within the Issuer's or the Guarantor's knowledge, a certificate duly signed by a director of the Issuer or (as the case may be) the Guarantor;

30.2.2 that such is the case, a certificate of a director of the Issuer or (as the case may be) the Guarantor to the effect that any particular dealing, transaction, step or thing is expedient,

and the Representative of the Bondholders shall not be bound in any such case to call for further evidence or be responsible for any loss that may be incurred as a result of acting on such certificate unless any of its officers in charge of the administration of these Rules shall have actual knowledge or express notice of the untruthfulness of the matters contained in the certificate.

30.3 **Resolution or direction of Bondholders**

The Representative of the Bondholders shall not be responsible for acting upon any resolution purporting to be a Written Resolution or to have been passed at any Meeting in respect whereof minutes have been made and signed or a direction of the requisite percentage of Bondholders, even though it may subsequently be found that there was some defect in the constitution of the Meeting or the passing of the Written Resolution or the giving of such directions or that for any reason the resolution purporting to be a Written Resolution or to have been passed at any Meeting or the giving of the direction was not valid or binding upon the Bondholders.

30.4 **Certificates of Monte Titoli Account Holders**

The Representative of the Bondholders, in order to ascertain ownership of the Covered Bonds, may fully rely on the certificates issued by any Monte Titoli Account Holder in accordance with the regulation issued jointly by the Bank of Italy and CONSOB on 22 February 2008, as amended from time to time, which certificates are to be conclusive proof of the matters certified therein.

30.5 **Clearing Systems**

The Representative of the Bondholders shall be at liberty to call for and to rely on as sufficient evidence of the facts stated therein, a certificate, letter or confirmation certified as true and accurate and signed on behalf of such clearing system as the Representative of the Bondholders considers appropriate, or any form of record made by any clearing system, to the effect that at any particular time or throughout any particular period any particular person is, or was, or will be, shown its records as entitled to a particular number of Covered Bonds.

30.6 **Rating Agencies**

The Representative of the Bondholders in evaluating, for the purposes of exercising any power, authority, duty or discretion under or in relation to these Rules that such exercise will not be materially prejudicial to the interests of the Bondholders of any Series or Tranche or of all Series for the time being outstanding, is entitled to consider, *inter alia*, the circumstance that the then current rating of the Covered Bonds of any such Series or Tranche or all such Series (as the case may be) would not be adversely affected by such exercise. If the Representative of the Bondholders, in order properly to exercise its rights or fulfil its obligations, deems it necessary to obtain the views of the Rating Agencies as to how a specific act would affect any outstanding rating of the Covered Bonds, the Representative of the Bondholders may

inform the Issuer, which will then obtain such views at its expense on behalf of the Representative of the Bondholders or the Representative of the Bondholders may seek and obtain such views itself at the cost of the Issuer.

30.7 Certificates of Parties to Programme Document

The Representative of the Bondholders shall have the right to call for or require the Issuer or the Guarantor to call for and to rely on written certificates issued by any party (other than the Issuer or the Guarantor) to the Intercreditor Agreement or any other Programme Document,

30.7.1 in respect of every matter and circumstance for which a certificate is expressly provided for under the Conditions or any Programme Document;

30.7.2 as any matter or fact *prima facie* within the knowledge of such party; or

30.7.3 as to such party's opinion with respect to any issue,

and the Representative of the Bondholders shall not be required to seek additional evidence in respect of the relevant fact, matter or circumstances and shall not be held responsible for any Liability incurred as a result of having failed to do so unless any of its officers has actual knowledge or express notice of the untruthfulness of the matter contained in the certificate.

30.8 Auditors

The Representative of the Bondholders shall not be responsible for reviewing or investigating any auditors' report or certificate and may rely on the contents of any such report or certificate.

31. AMENDMENTS AND MODIFICATIONS

31.1 Modifications

The Representative of the Bondholders may at any time and from time to time and without the consent or sanction of the Bondholders of any Series or Tranche concur with the Issuer and/or the Guarantor and any other relevant parties in making any modification (and for this purpose the Representative of the Bondholders may disregard whether any such modification relates to a Series or Tranche Reserved Matter) as follows:

31.1.1 to these Rules, the Conditions and/or the other Programme Documents which, in the opinion of the Representative of the Bondholders, it may be expedient to make **provided that** the Representative of the Bondholders is of the opinion that such modification will not be materially prejudicial to the interests of any of the Bondholders of any Series or Tranche; and

31.1.2 to these Rules, the Conditions and/or the other Programme Documents which is of a formal, minor, administrative or technical nature or to comply with mandatory provisions of law; and

31.1.3 to these Rules, the Conditions and/or the other Programme Documents which, in the opinion of the Representative of the Bondholders, is to correct a manifest error or an error established as such to the satisfaction of the Representative of the Bondholders.

31.2 **Binding Nature**

Any such modification may be made on such terms and subject to such conditions (if any) as the Representative of the Bondholders may determine, shall be binding upon the Bondholders and, unless the Representative of the Bondholders otherwise agrees, shall be notified by the Issuer or the Guarantor (as the case may be) to the Bondholders in accordance with Condition 17 (*Notices*) as soon as practicable thereafter.

31.3 **Establishing an error**

In establishing whether an error is established as such, the Representative of the Bondholders may have regard to any evidence on which the Representative of the Bondholders considers it appropriate to rely and may, but shall not be obliged to, have regard to a certificate from the Arrangers:

(a) stating the intention of the parties to the relevant Programme Document;

(b) confirming nothing has been said to, or by, investors or any other parties which is in any way inconsistent with such stated intention; and

(c) stating the modification to the relevant Programme Document that is required to reflect such intention;

and may be entitled to consider, *inter alia*, the circumstance that, after giving effect to such modification, the Covered Bonds shall continue to have the same credit ratings as those assigned to them immediately prior to the modification.

31.4 **Obligation to act**

The Representative of the Bondholders shall be bound to concur with the Issuer and the Guarantor and any other party in making any modifications to these Rules, the Conditions and/or the other Programme Documents if it is so directed by an Extraordinary Resolution and then only if it is indemnified and/or secured to its satisfaction against all Liabilities to which it may thereby render itself liable or which it may incur by so doing.

32. **WAIVER**

32.1 **Waiver of Breach**

The Representative of the Bondholders may at any time and from time to time without the consent or sanction of the Bondholders of any Series or Tranche and, without prejudice to its rights in respect of any subsequent breach, condition or event but only if, and in so far as, in its opinion the interests of the Holders of the Covered Bonds of any Series or Tranche then outstanding shall not be materially prejudiced thereby:

32.1.1 authorise or waive any proposed breach or breach by the Issuer or the Guarantor of any of the covenants or provisions contained in the Guarantee, these Rules, the Conditions or the other Programme Documents; or

32.1.2 determine that any Event of Default shall not be treated as such for the purposes of the Programme Documents,

without any consent or sanction of the Bondholders.

32.2 **Binding Nature**

Any such authorisation or waiver or determination may be given on such terms and subject to such conditions (if any) as the Representative of the Bondholders may determine, shall be binding on all Bondholders and, if the Representative of the Bondholders so requires, shall be notified to the Bondholders and the Other Guarantor Creditors by the Issuer or the Guarantor, as soon as practicable after it has been given or made in accordance with the provisions of the conditions relating to Notices and the relevant Programme Documents.

32.3 **Restriction on powers**

The Representative of the Bondholders shall not exercise any powers conferred upon it by this Article 32 (*Waiver*) in contravention of any express direction by an Extraordinary Resolution, but so that no such direction shall affect any authorisation, waiver or determination previously given or made.

32.4 **Obligation to act**

The Representative of the Bondholders shall be bound to waive or authorise any breach or proposed breach by the Issuer or the Guarantor of any of the covenants or provisions contained in by Guarantee, these Rules or any of the other Programme Documents or determine that any Event of Default shall not be treated as such if it is so directed by a Programme Resolution and then only if it is indemnified and/or secured to its satisfaction against all Liabilities to which it may thereby render itself liable or which it may incur by so doing.

33. **INDEMNITY**

Pursuant to the Programme Agreement, all documented costs, expenses, liabilities and claims incurred by or made against the Representative of the Bondholders (or by any persons appointed by it to whom any power, authority or discretion may be delegated by it) in relation to the preparation and execution of this Agreement or the other Programme Documents, the exercise or purported exercise of, the Representative of the Bondholder's powers, authorities and discretions and performance of its duties under and in any other manner in relation to this Agreement or any other Programme Documents (including, but not limited to, legal and travelling expenses and any stamp, issue, registration, documentary and other taxes or duties paid by or due from the Representative of the Bondholders in connection with any action and/or legal proceedings brought or contemplated by the Representative of the Bondholders pursuant to the Programme Documents, against the Issuer or the Guarantor for enforcing any obligations under the Covered Bonds or the Programme Documents),

except insofar as the same are incurred as a result of fraud (*frode*), gross negligence (*colpa grave*) or wilful default (*dolo*) of the Representative of the Bondholders, shall be reimbursed, paid or discharged (on full indemnity basis), on demand, to the extent not already reimbursed, paid or discharged by the Bondholders, by the Guarantor and the Issuer on the Guarantor Payment Date immediately succeeding the date of request from funds available thereof in accordance with the relevant Priority of Payments..

34. LIABILITY

Notwithstanding any other provision of these Rules and save as otherwise provided in the Programme Documents the Representative of the Bondholders shall not be liable for any act, matter or thing done or omitted in any way in connection with the Programme Documents, the Covered Bonds or the Rules except in relation to its own fraud (*frode*), gross negligence (*colpa grave*) or wilful default (*dolo*).

35. SECURITY DOCUMENTS

35.1 The Deed of Pledge

The Representative of the Bondholders shall have the right to exercise all the rights granted by the Guarantor to the Bondholders pursuant to the Deed of Pledge. The beneficiaries of the Deed of Pledge are referred to in this Article 35 as the "**Secured Bondholders**".

35.2 Rights of the Representative of the Bondholders

35.2.1 The Representative of the Bondholders, acting on behalf of the Secured Bondholders, shall be entitled to appoint and entrust the Guarantor to collect, in the Secured Bondholders' interest and on their behalf, any amounts deriving from the pledged claims and rights, and shall be entitled to give instructions, jointly with the Guarantor, to the respective debtors of the pledged claims to make the payments related to such claims to the Programme Accounts or to any other account opened in the name of the Guarantor and appropriate for such purpose;

35.2.2 The Secured Bondholders irrevocably waive any right they may have in relation to any amount deriving from time to time from the pledged claims or credited to the Main Programme Account or to any other account opened in the name of the Guarantor and appropriate of such purpose which is not in accordance with the provisions of this Article 35. The Representative of the Bondholders shall not be entitled to collect, withdraw or apply, or issue instructions for the collection, withdrawal or application of, cash deriving from time to time from the pledged claims under the Deed of Pledge except in accordance with the provisions of this Article 35 and the Intercreditor Agreement.

TITLE IV
THE ORGANISATION OF THE BONDHOLDERS AFTER SERVICE OF AN NOTICE

36. POWERS TO ACT ON BEHALF OF THE GUARANTOR

It is hereby acknowledged that, upon service of a Guarantor Default Notice or, prior to service of a Guarantor Default Notice, following the failure of the Guarantor to exercise any right to which it is entitled, pursuant to the Mandate Agreement the Representative of the Bondholders, in its capacity as legal representative of the Organisation of the Bondholders, shall be entitled (also in the interests of the Other Guarantor Creditors) pursuant to Articles 1411 and 1723 of the Italian Civil Code, to exercise certain rights in relation to the Cover Pool. Therefore, the Representative of the Bondholders, in its capacity as legal representative of the Organisation of the Bondholders, will be authorised, pursuant to the terms of the Mandate Agreement, to exercise, in the name and on behalf of the Guarantor and as *mandatario in rem propriam* of the Guarantor, any and all of the Guarantor's rights under certain Programme Documents, including the right to give directions and instructions to the relevant parties to the relevant Programme Documents.

TITLE V
GOVERNING LAW AND JURISDICTION

37. GOVERNING LAW

These Rules are governed by, and will be construed in accordance with, the laws of the Republic of Italy.

38. JURISDICTION

The Courts of Milan will have jurisdiction to hear and determine any suit, action or proceedings and to settle any disputes which may arise out of or in connection with these Rules.

FORM OF FINAL TERMS

Set out below is the form of Final Terms which will be completed for each Tranche of Covered Bonds issued under the Programme. Text in this section appearing in italics does not form part of the Final Terms but denotes directions for completing the Final Terms.

Final Terms dated [•]

Banca Monte dei Paschi di Siena S.p.A. (the "**Issuer**")

Issue of [*Aggregate Nominal Amount of Tranche*][*Description*] **Covered Bonds (*Obbligazioni Bancarie Garantite*) due** [*Maturity*]

Guaranteed by

MPS Covered Bond S.r.l. (the "**Guarantor**")

under the €10,000,000,000 Programme

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions (the "**Conditions**") set forth in the prospectus dated 13 October 2016 [and the supplement[s] to the prospectus [•] 201[•]] which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of the Prospectus Directive (Directive 2003/71/EC) (as amended from time to time, the "**Prospectus Directive**"). This document constitutes the Final Terms of the Covered Bonds (*Obbligazioni Bancarie Garantite*) described herein for the purposes of article 5.4 of the Prospectus Directive. These Final Terms contain the final terms of the Covered Bonds and must be read in conjunction with the Base Prospectus [as so completed]. Full information on the Issuer, the Guarantor and the offer of the Covered Bonds (*Obbligazioni Bancarie Garantite*) described herein is only available on the basis of the combination of these Final Terms, the Conditions and the Base Prospectus [as so completed]. The Base Prospectus [, including the supplement[s]] [is/are] available for viewing [at [*website*]] [and] during normal business hours at [*address*] [and copies may be obtained from [*address*]].

(*Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Final Terms*.)

(*When completing any final terms consideration should be given as to whether such terms or information constitute "significant new factors" and consequently trigger the need for a drawdown Prospectus under article 16 of the Prospectus Directive*.)

1.	(i)	Series Number:	[•]
	(ii)	Tranche Number:	[•] (*If fungible with an existing Series, name of that Series, including the date on which*

			the Covered Bonds become fungible)
2.	**Specified Currency or Currencies**:		[•]
3.	**Aggregate Nominal Amount**		
	(i)	Series:	[•]
	(ii)	Tranche:	[•]
	(iii)	Aggregate Nominal Amount:	[•]
4.	**Issue Price**:		[•] per cent. Of the Aggregate Nominal Amount [plus accrued interest from [•] (*insert date*) (*in the case of fungible issues only, if applicable*)]
5.	(i)	Specified Denominations:	[•] [plus integral multiples of [•] in addition to the said sum of [•]] (*Include the wording in square brackets where the Specified Denomination is €100,000 or equivalent plus multiples of a lower principal amount.*)
	(ii)	Calculation Amount:	[•]
6.	(iii)	Issue Date	[•]
	(iv)	Interest Commencement Date	[[•]/Issue Date/Not Applicable]
7.	**Maturity Date**:		[•] (*Insert date or (for Floating Rate Covered Bonds) Interest Payment Date falling in or nearest to the relevant month and year*)
8.	**Extended Maturity Date of Guaranteed Amounts corresponding to Final Redemption Amount under the Guarantee**:		[•] (*Insert date or (for Floating Rate Covered Bonds) Interest Payment Date falling in or nearest to the relevant month and year)*
9.	**Interest Basis**:		[[•] per cent. Fixed Rate][[*EURIBOR / LIBOR*] +/– [*Margin*] per cent. Floating Rate] [Zero Coupon] (*further particulars specified below in Sections 16 , 17, or 18, as the case may be*)
10.	**Redemption/Payment Basis**:		[Redemption at par]

		[Installment]
11.	**Change of Interest or Redemption/Payment Basis**:	[Applicable/Not Applicable] (*Insert the date when any fixed to floating rate change occurs or refer to paragraphs 15 and 16 below and identify there.*)
12.	**Hedging through covered bond swaps**	[Applicable/Not applicable]
13.	**Put/Call Options**:	[Not Applicable] [Investor Put] [Issuer Call] [(*further particulars specified below in Section 19 or 20, as the case may be*)]
14.	**[Date [Board] approval for issuance of Covered Bonds [and Guarantee] [respectively]] obtained**:	[•] [and [•], respectively] (*N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Covered Bonds or related Guarantee*)
15.	**Method of distribution**:	[Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

16.	**Fixed Rate Provisions**		[The provisions of Conditions 5 apply /Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Rate(s) of Interest:	[•] per cent. per annum [payable [annually/semi annually/quarterly/monthly/ in arrear]
	(ii)	Interest Payment Date(s):	[•] in each year [adjusted in accordance with (*insert Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"*)/not adjusted]
	(iii)	Fixed Coupon Amount[(s)]:	[•] per Calculation Amount
	(iv)	Broken Amount(s):	[•] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [•]

(v)	Day Count Fraction:	[30/360/Actual/Actual (ICMA)]
(vi)	[Determination Date(s):	[•] in each year. *(Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon*) (*N.B.: Only relevant where Day Count Fraction is Actual/Actual* (*ICMA*))
17.	**Floating Rate Provisions**	[The provisions of Condition 6 apply / Not Applicable] / Applicable in respect of Extended Maturity Period] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
(i)	Interest Period(s):	[•]
(ii)	Specified Period:	[•] (*Specified Period and Interest Payment Dates are alternatives. A Specified Period, rather than Interest Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert "Not Applicable"*)
(iii)	Interest Payment Dates:	[•] (*Specified Period and Interest Payment Dates are alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert "Not Applicable"*)
(iv)	First Interest Payment Date:	[•]
(v)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/FRN Convention]
(vi)	Additional Business Centre(s):	[Not Applicable / TARGET / London/ Luxembourg / Milan / Siena]
(vii)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination]

(viii)	Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Principal Paying Agent):	[[*Name*] shall be the relevant Calculation Agent]
(ix)	Screen Rate Determination:	
	• Reference Rate:	[•] (*For example, LIBOR or EURIBOR*)
	• Interest Determination Date(s):	[•]
	• Relevant Screen Page:	[•] (*For example, Reuters LIBOR 01/ EURIBOR 01*)
	• Relevant Time:	[•] (*For example, 11.00 a.m. Luxembourg time/Brussels time*)
	• Relevant Financial Centre:	[•] (*For example, Luxembourg/Euro-zone (where Euro-zone means the region comprised of the countries whose lawful currency is the euro*)
	• Specifiy Reference Rate	[•]
	• Specifiy Screen Page	[•]
(x)	ISDA Determination:	
	• Floating Rate Option:	[•]
	• Designated Maturity:	[•]
	• Reset Date:	[•]
	• ISDA Definitions:	[2000/2006]
(xi)	Margin(s):	[+/-][•] per cent. per annum
(xii)	Minimum Rate of Interest:	[•] per cent. per annum
(xiii)	Maximum Rate of Interest:	[•] per cent. per annum
(xiv)	Day Count Fraction:	[Actual/Actual (ICMA)/ Actual/Actual (ISDA)/ Actual/365 (Fixed)/ Actual/360/ 30/360/ 30E/360/ Eurobond Basis/ 30E/360 (ISDA)]

18. **Zero Coupon Provisions** [The provisions of Conditions 7 /Not Applicable]

(*If not applicable, delete the remaining*

			sub-paragraphs of this paragraph)
	(i)	[Amortisation/Accrual] Yield:	[•] per cent. per annum
	(ii)	Reference Price:	[•]

PROVISIONS RELATING TO REDEMPTION

19.	**Call Option**		[The provisions of Conditions 8(d) apply/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i)	Optional Redemption Date(s):	[•]
	(ii)	Optional Redemption Amount(s) of Covered Bonds and method, if any, of calculation of such amount(s):	[•] per Calculation Amount
	(iii)	If redeemable in part:	
	(d)	Minimum Redemption Amount:	[[•] per Calculation Amount / not applicable]
	(e)	Maximum Redemption Amount	[•] per Calculation Amount / not applicable]
	(iv)	Notice period:	[•]
20.	**Put Option**		[The provisions of Conditions 8(e) apply /Not Applicable](*If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i)	Optional Redemption Date(s):	[•]
	(ii)	Optional Redemption Amount(s) of each Covered Bond and method, if any, of calculation of such amount(s):	[•] per Calculation Amount
	(iii)	Notice period:	[•]
21.	**Final Redemption Amount of Covered Bonds**		[•] per Calculation Amount
22.	**Early Redemption Amount**		
	Early redemption amount(s) per Calculation Amount payable on redemption for taxation reasons or on		[•]/[Not Applicable] *(If both the Early Termination Amount (Tax) and the Early Termination Amount are the principal*

	acceleration following a Guarantor Event of Default or other early redemption:	*amount of the Covered Bonds/insert the Early Termination Amount (Tax) and/or the Early Termination Amount if different from the principal amount of the Covered Bonds)*

GENERAL PROVISIONS APPLICABLE TO THE COVERED BONDS

23.	Additional Financial Centre(s) or other special provisions relating to payment dates:	[Not Applicable / Milan / Siena / Luxembourg / London] (*Note that this paragraph relates to the date and place of payment, and not interest period end dates, to which sub paragraphs 15(ii) and 16(vi)*)
24.	Details relating to Covered Bonds which are amortising and for which principal is repayable in instalments: amount of each instalment, date on which each payment is to be made:	[Not Applicable/ monthly or quarterly or semiannually or annually instalments / linear instalments]

DISTRIBUTION

25.	U.S. Selling Restrictions:	[Reg. S Compliance Category 2]/[TEFRA D]/[TEFRA C]/[Not Applicable]

PURPOSE OF FINAL TERMS

These Final Terms comprise the final terms required for issue and admission to trading on [the regulated market of the Luxembourg Stock Exchange/[•]] of the Covered Bonds (*Obbligazioni Bancarie Garantite*) described herein] pursuant to the €10,000,000,000 Covered Bond (*Obbligazioni Bancarie Garantite*) Programme of Banca Monte dei Paschi di Siena S.p.A.

Signed on behalf of Banca Monte dei Paschi di Siena S.p.A.

By:.....

Duly authorised

Signed on behalf of MPS Covered Bond S.r.l.

By:.....

Duly authorised]

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

(i)	Listing	[Official list of the Luxembourg Stock Exchange/([•]) None]
(ii)	Admission to trading	Application [is expected to be/has been] made by the Issuer (or on its behalf) for the Covered Bonds (*Obbligazioni Bancarie Garantite*) to be admitted to trading on [the regulated market of the Luxembourg Stock Exchange/[•]] with effect from [•]. *(Where documenting a fungible issue, need to indicate that original Covered Bonds are already admitted to trading.)*

2. RATINGS

Ratings:	The Covered Bonds (*Obbligazioni Bancarie Garantite*) to be issued have been rated: [S & P: [•]] [Moody's: [•]] [Fitch: [•]] [[Other]: [•]] *(The above disclosure should reflect the rating allocated to Covered Bonds of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)* *[S&P] / [Moody's] / [Fitch] / [Others] are established in the EEA and are registered under Regulation (EU) No 1060/2009.* *In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the EEA and registered under the Regulation (EU) No 1060/2009 ("**CRA Regulation**") unless the rating is provided by a credit rating agency operating in the EEA before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration is not refused* (*Please refer to the ESMA webpage http://www.esma.europa.eu/page/List-registered-*

and-certified-CRAs in order to consult the updated list of registered credit rating agencies).

[Not applicable (*if not rated*)]

3. **[INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER]**

[Not Applicable / *Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement*:

"Save as discussed in ["Subscription and Sale"], so far as the Issuer is aware, no person involved in the offer of the Covered Bonds has an interest material to the offer."]

[MPS Capital Services Banca per l'Impresa S.p.A., acting as a Dealer/Manager, may have a conflict of interest in connection with the issue of the Covered Bonds as they belong to the Group and are subject to control and guidelines of the Issuer.]

(When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under article 16 of the Prospectus Directive.)

4. **TOTAL EXPENSES**

Estimated total expenses:	[•] (*Refer to total expenses related to the admission to trading*)

5. **YIELD**

Indication of yield:	(Please note that this is applicable in respect of Fixed Rate Covered Bonds and Zero Coupon Bonds only) [Not Applicable / [•] (*The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield*)

6. **[*FLOATING RATE COVERED BONDS ONLY* - HISTORIC INTEREST RATES**

Details of historic [LIBOR/EURIBOR/other] rates can be obtained from [Reuters].]

7. OPERATIONAL INFORMATION

ISIN Code:	[•]
Common Code:	[•]
Any Relevant Clearing System(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, *société anonyme* and the relevant identification number(s) and address(es):	[Not Applicable/[•] (*give name(s), number(s) and address(es)*)]
Names and Specified Offices of additional Paying Agent(s) (if any):	[•]
Name of the Calculation Agent	[•]
Name of the Representative of the Bondholders	[•]. The provisions of the Rules of the Organisation of the Bondholders shall apply.
Intended to be held in a manner which would allow Eurosystem eligibility:	[Yes][No][Not Applicable][Note that the designation "yes" simply means that the Covered Bonds are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Covered Bonds will be recognized as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

USE OF PROCEEDS

The net proceeds of the sale of the Covered Bonds will be used by the Issuer for general funding purposes of BMPS.

BANCA MONTE DEI PASCHI DI SIENA S.P.A.

Issuer, Principal Seller, Principal Servicer, Italian Account Bank, Pre-Issuer Default Test Calculation Agent and Principal Subordinated Lender

1. GENERAL

Banca Monte dei Paschi di Siena S.p.A. ("**BMPS**" or the "**Bank**") was incorporated on 14 August 1995 as a joint stock company (*Società per Azioni*) under Italian legislation. On 23 August 1995 BMPS was registered with the Bank of Italy's Register (No. 5274) and with the Companies Register (No. 00884060526). BMPS has its registered office in Piazza Salimbeni 3, 53100, Siena, Italy (telephone number: +39 0577 294 111). BMPS's duration is currently limited to 31 December 2100 though this may be extended by shareholders' resolution.

BMPS's corporate purpose, as set out under Article 3 of its By-laws, is as follows: "*The purpose of BMPS is to collect and maintain savings and issue loans and credit, in various forms in Italy and abroad, including any related activity permitted to lending institutions by current regulations. BMPS can carry out, in accordance with the laws and regulations in force, all permitted banking and financial activities and any other transaction which is instrumental, or in any case linked, to the achievement of the company's purpose.*".

BMPS is the parent company of an Italian banking group operating throughout Italy and in major international financial centres. The Monte dei Paschi Group (the "**BMPS Group**" or the "**Group**") offers a wide range of financial services and products to private individuals and corporations. The products and services include ordinary and specialised deposit-taking and lending, including leasing and factoring; payment services (home banking, cash management, credit or debit cards and treasury services for public entities); asset management (through joint venture), brokerage services and corporate finance (project *finance, merchant banking, financial consulting*).

Pursuant to Article 2497 and subsequent of the Italian Civil Code, the role of the parent company is carried out by BMPS which directs and coordinates the activities of its direct and indirect subsidiaries, including companies that, under current regulations, do not belong to the BMPS Group. Founded in 1472 as a public pawn broking establishment (Monte di Pietà), BMPS has been a member of FTSE MIB40 since September 1999 with a share capital of € 9,001,756,820.70 as at the date of this Prospectus.

- **History**

BMPS, which is believed to be the oldest bank in the world, has been in continuous operation since 1472, when the General Council of the Republic of Siena approved its original charter. The Bank, then known as "Monte di Pietà", was originally established by the Republic of Siena for the purpose of providing a controlled source of lending for the local community and to fight usury. In 1624, the Bank changed its name to "Monte dei Paschi di Siena", the term "paschi" referring to the grazing fields owned by the Grand Duchy of Tuscany, which generated income invested to support the Bank's capital. Following the unification of Italy, the Bank extended its activities beyond the immediate outskirts of Siena. However, significant expansion of the Bank's activities occurred only after World War I, both geographically (with the opening of approximately 100 additional branches) and in terms of activities undertaken (with the commencement of various tax collection activities on behalf of national and regional governments). In 1936, the Bank was declared a public credit institution

(*Istituto di Credito di Diritto Pubblico*) organised under a new charter, which, although modified during this period, remained in force until 1995.

In 1995 the Bank was reorganised in accordance with the Law n. 218 of 30 July 1990 and was incorporated as a *Società per Azioni* or joint stock company owned by Monte dei Paschi di Siena — Istituto di Diritto Pubblico (the "**Foundation**").

Major Events

Recent developments

On 11 February 2015, the board of directors of BMPS approved the consolidated results as at 31 December 2014 showing a net result for the period of -€5,343 million and on 4 March 2015, the BMPS board of directors approved the Bank's draft financial statements and the BMPS Group's consolidated financial statements as at 31 December 2014, incorporating the results already approved by the board of directors on 11 February 2015; the results were affected by the impact of revised classification/measurement methods and parameters across all loan portfolios, the recognition of impairment loss and goodwill and by other non-recurring items.

In addition, at such meeting the BMPS board of directors, *inter alia*, (i) determined the number of shares to be allocated to the Italian Ministry of Economy and Finance (the "**MEF**") as consideration for the payment of interest, amounting to €243 million, on the new financial instruments provided for by Law Decree no. 95 of 6 July 2012, as amended (the "**New Financial Instruments**" or "**NFIs**"), due on the interest payment date falling on 1 July 2015. Since the payment of the New Financial Instruments coupon has been made through the issue of new shares, the MEF became a BMPS' shareholder; (ii) appointed Christian Whamond as director following the resignation of David Martinez on 27 February 2015 and (iii) approved the corporate governance report in accordance with Article 123-*bis* of legislative decree no. 58 of 24 February 1998 (the "**Consolidated Finance Act**").

On 14 April 2015 BMPS entered into a preliminary contract with Poste Italiane S.p.A. ("**Poste**") related to the assignment to Poste of BMPS' 10.3% participation in Anima Holding ("**Anima**"). The value of the transaction was of €6.967 for each share which was in line with the average price performance of Anima in the last month. In particular, the expected consideration was of €6.80 for each share and a total amount of €210 million, which was to be added to the dividend for financial year 2014 to be distributed to BMPS (€0.167 for each share and a total amount of €5.2 million). Under the agreement, in order to protect Poste from any extraordinary event related to the market risk, it has been provided with a mechanism for the adjustment of the sale price in favour of Poste whose terms have now expired without any effect.

The transaction resulted in a net positive impact in the income statement for BMPS, as the sum of the capital gain and the dividends received and net of any effects of the price adjustment of approximately €115 million, with a positive impact on the consolidated CET1 of about 20 bps.

On 8 May 2015 the BMPS board of directors examined and approved the results of the first quarter of 2015 and the update of the Business Plan (as defined below). With respect to the Business Plan, the Bank deemed it necessary to update the Group's economic and capital targets set out in the Restructuring Plan (as defined below) identifying the New Targets for

the period 2015-2018. Such new objectives have been disclosed to the financial community on 11 May 2015 through a presentation document named "*1Q2015 GMPS Results – Business Plan update*".

On 11 May 2015, BMPS incorporated Consum.it, a wholly owned subsidiary of the Issuer, with effect from 1 June 2015.

On 12 May 2015, the ECB has authorised the Bank to (i) include the pre-emptive capital increase into the CET 1 and (ii) reimburse the New Financial Instruments with a nominal value of €1,071 million, subject to the completion of the up to €3 billion share capital increase. In the context of such decision and in line with what was indicated in the 2014 SREP Decision, the ECB also noted that the pre-emptive capital increase is only one of the measures set out in the 2015 Capital Plan to address the main problems of the Bank mostly relating to (i) non-performing exposures ("**NPE**"), (ii) difficulties of achieving adequate levels of profitability, (iii) organic generation of capital and (iv) small capitalisation.

On 13 May 2015, the ECB approved the €3 billion pre-emptive capital increase and consequent redemption of the €1.071 billion nominal amount of New Financial Instruments.

On 12 June 2015 the Bank communicated the conclusion of the share capital increase offering period, which started on 25 May 2015, in the context of which 254,771,120 rights of option have been exercised in relation to the subscription of 2,547,711,200 new shares, equal to 99.59% of the new shares offered, for a value of € 2,980,822,104.00. On the same date, the dates in which the offering on the Italian Stock Exchange for the 1,054,573 non-exercised rights of option will take place were also disclosed.

On 15 June 2015, the Issuer, in accordance with the agreements entered into with the MEF, redeemed €1.071 billion nominal amount of New Financial Instruments (against payment of a consideration of approximately €1.116 billion, in accordance with the provision of the prospectus for the issuance of New Financial Instruments, completing the restitution of the state aids received in 2013).

On 19 June 2015, the Issuer communicated the conclusion of the offering in option to the BMPS shareholders of 2,558,256,930 new BMPS ordinary shares and that the pre-emptive capital increase has been fully subscribed for a total amount of €2,993,160,608.10 and that no new shares have been subscribed by the guarantee consortium.

On 22 June 2015, BMPS announced the new composition of its share capital in an amount of €8,758,683,020.70 resulting from the share capital increase.

On 23 June 2015, the Issuer announced it has reached a binding agreement in relation to a *pro-soluto* assignment of a non-performing loans portfolio consisting of consumer loans, personal loans and credit cards originated by Consum.it S.p.A. to Banca IFIS S.p.A. to a special purpose vehicle funded by a company related to Cerberus Capital Management, L.P.. The portfolio consisted of nearly 135,000 positions with a gross book value of approximately €1 billion (€1.3 billion, including the default interest and/or other charges assigned together with the capital).

On 25 June 2015, the Bank announced the entry into a definitive agreement for the purchase by Poste of BMPS's 10.3% participation in Anima, since all the conditions precedent set out in the preliminary contract have been met. On the date of execution of the sale (30 June

2015), Poste has taken over all the rights and obligations of BMPS under the shareholders' agreement relating to the Anima shares originally signed on 5 March 2014 between BMPS and Banca Popolare di Milano S.c. a r.l..

On 1 July 2015, pursuant to the resolution of the BMPS Board of Directors passed on 21 May 2015, the Bank issued in favour of the MEF, as interest accrued as at 31 December 2014 in accordance with the "New Financial Instruments" rules provided by the law decree 6 July 2012, no. 95, as amended, 117,997,241 ordinary shares (the "**MEF Shares**"), representing 4% of the share capital, with a share capital increase of €243,073,800.00. In relation to the MEF Shares, MEF has taken a lock-up commitment which will last 180 calendar days following 1 July 2015.

On 24 July 2015, Alessandro Profumo resigned his position as chairman and member of the board of directors of the Issuer, as of 6 August 2015, at the conclusion of the board of directors' approval of the interim financial report as at 30 June 2015.

On 15 September 2015, the shareholders' meeting resolved to integrate the board of directors with the appointment of Massimo Tononi as director and chairman of the board of directors.

With reference to the Alexandria transaction, on 23 September 2015 BMPS and Nomura International Plc entered into an agreement governing the terms and conditions for early termination of the transactions entered into in 2009.

On 29 September 2015, BMPS was been authorised by the ECB to include the MEF Shares in the CET 1 Ratio.

On 20 October 2015 and 19 November 2015, the Bank announced the launch of two issuances of covered bonds on the Euro market, €750 million and € 1 billion respectively.

On 26 November 2015, the Bank announced the successful conclusion of the SREP by the ECB related to the year 2015, notified to the Bank on 25 November 2015 pursuant to the Regulation (EU) No. 1024/2013 of 15 October 2013.

On 4 December 2015 ECB completed an ordinary inspection on the models implemented by the Issuer to calculate the credit risk ratios. At the present time, ECB has not yet delivered the follow up on such activity.

On 16 December 2015 the Bank published a press release further to a request made by CONSOB following an investigation by it which found certain alleged irregularities in the accounting treatment of the items relating to the "Alexandria" transaction contained in the consolidated and stand-alone financial statements as of 31 December 2014 and of the semiannual accounts as of 30 June 2015 of the Bank (on an open account basis or as a CDS derivative).

On 28 December 2015, BMPS signed a binding agreement for the disposal *pro soluto* of a non-performing loan portfolio to Epicuro SPV S.r.l., a securitisation vehicle financed by affiliates of Deutsche Bank AG. The non-performing loan portfolio is composed of almost 18,000 borrowers with a total book value, gross of provisions, of approximately €1 billion (approximately €1.7 billion including default interests and/or other charges that are transferred along with the capital).

During the period September 2015 - January 2016 an ordinary inspection activity has been carried out by the ECB and Bank of Italy referring to the governance of the Bank and the risk management system (*OSI-2015-ITMPS-32-33 on Governance and Risk Management*), which was completed in January 2016. The ECB has not yet delivered the results of such activity.

On 21 January 2016, a new securitization of lease receivables portfolio for € 1.6 billion was successfully finalised on 21 January 2016.

On 15 April 2016, the Board of Directors of the Bank gave a mandate to the CEO to purchase 50 units of the Atlante Fund, for a total investment of € 50 mln.

By Decree dated 18 April 2016, the MEF ordered Banca Tercas to return to the Interbank Deposit Protection Fund (IDPF) the contributions received at the time in compliance with the decision of the European Commission which ruled that the support received in 2014 by Banca Tercas constitutes government aid and is therefore incompatible with the internal market regulations. Consequently, at the end of April, the IDPF repaid the amounts pertaining to each consortium and, at the same time, the Voluntary Scheme, purposely established within the IDPF itself, charged the single participants in the Scheme a recalculated amount that was equal to the amount of the original intervention. The impact of the transaction was essentially neutral for the Group.

On 23 June 2016, a transfer agreement without recourse for a non-performing loan portfolio to Kruk Group, a debt collection agency active in the European market of non-performing loans, was executed.

The sold portfolio consists of more than 40,000 positions with a gross book value of roughly €290 million (about €350 million including late payment interest accrued and/or other charges that are transferred along with the principal amount). The sold non-performing loans, of an unsecured nature, are consumer credits, personal loans and credit cards originated by the former Consum.it (incorporated since 2015 into the Bank). The sale resulted in a slightly positive financial impact and did not have significant effects on the capital ratios of the Group.

On 30 June 2016, Law Decree no. 59/2016 was converted into Law no.119, upon approval by the Council of Ministers (Cabinet) issued on 29 April, which sets forth, *inter alia*, provisions applicable to deferred tax receivables. This provision sets forth that in order to continue to hold the right to exploit the laws on the convertibility of the DTAs that are relevant as tax credits (see article 2, paragraph 55 et seq. of Law Decree no. 225/2010) and, consequently, benefit from the possibility to fully include said DTAs in the determination of the regulatory capital, it is necessary that an irrevocable option, providing for the payment of an annual fee until 2029, i.e. 1.5% of the difference between deferred tax assets and paid taxes, is exercised. Upon exercising this option, the Group recorded, as at 30 June 2016, both the entire fee pertaining to the year 2015 and the pro-rata amount estimated for 2016.

On 1 July 2016, the Bank paid to the MEF, in a monetary form, the interest accrued in 2015 on the New Financial Instruments redeemed on 15 June 2015 for an amount of roughly €46 million. This payment had no effect on the levels of capitalisation of the Group.

Upon authorisation obtained from the Public Prosecutor office, on 2 July 2016, Banca Monte dei Paschi di Siena, filed a plea bargaining petition referring to the pending criminal trial before the Preliminary Hearing Judge of Milan, as regards the claims filed against the Bank

pursuant to Legislative Decree no. 231/2001 in terms of the entities' administrative liability resulting from the offence.

Predicate offences with administrative liability of the Bank consist of false corporate communications, market abuse and obstruction to supervision and are charged exclusively to the former senior management for the period from 2009 to 2012. With the plea bargain, if accepted, the Bank exits the proceedings as defendant in the administrative offence following crimes committed by its own former executives, limiting the consequences to an administrative financial penalty or €0.6 million and a confiscation, for €10 million, without exposing itself to the risk of higher penalties. Within the same proceedings, the Bank is also bringing a civil action against its former Directors and executives who were in office when the said events took place.

On 19 July 2016, the Interbank Deposit Protection Fund disclosed the amount, pertaining to the Bank, of approximately €19 million, concerning the intervention, within the voluntary scheme, in favour of Cassa di Risparmio di Cesena

On 21 July 2016, the Bank received from the Revenue Agency (*Agenzia delle Entrate*) a favourable answer to the appeal filed in April about the tax relevance of some components of the restatement of the "Alexandria" transaction, recognised in the Financial Statements of 2015. To this regard, it must be noted that the restatement carried out in the Financial Statements of 2015, although with an overall pre-taxation neutral financial effect, entailed a different distribution of the income items related to the transaction within the 2009-2015 time frame, compared with the original accounting and that, in the 2015 Financial Statements (*see chapter Balance Adjustments - IAS 8* of the consolidated finanzial statements of 2015), the taxation effect of the restatement was estimated in consideration of the non-relevance, for tax purposes, of some negative income components, due to an initial and restrictive interpretation of the Revenue Agency Circular 31/2013.

Due to the positive response to such appeal, the Bank has recognised in the Income Statement of the consolidated half-yearly financial report of 2016 (in the income tax line item) the corresponding gain of €133.9 million, primarily as a balancing entry of deferred tax assets.

On 29 July 2016, the EBA EU-wide stress test results were published, showing a hefty CET1 ratio decrease in the adverse scenario (fully loaded at – 2.4%). The 2016 Stress Test does not have a success/failure threshold, instead it was designed to provide significant information within the 2016 supervision process. Therefore, the results will be used by the competent authorities to assess the capacity of the bank to comply with the regulatory constraints in stressed scenarios on the basis of common methodologies and assumptions. The adverse stress scenario was designed by ECB/ESRB and covers a three-year horizon (2016-2018) under the assumption of a static financial statements starting from December 2015; therefore, it does not take into account future changes in business strategies and the Restructuring Plan currently underway providing for further developments in the next two years or other measures the Bank may take.

Still on 29 July 2016 the Board of Directors of the Bank approved the guidelines of a transaction consisting in a combination of closely connected contextual transactions to be considered as strictly related elements of an overall plan aimed at deconsolidating the whole doubtful loan portfolio ("*sofferenze*") - (gross €27.7 billion, net €10.2 billion as at 31 March 2016) and at recapitalizing the Bank for a maximum estimated amount of €5 billion.

On 4 July 2016, the Bank informed that the rating agency Fitch affirmed the Issuer's long term rating ("B-") and the short-term rating ("B") and brought the Viability Rating to "ccc" from "b-".

On 18 August 2016, the Bank with reference to press reports on the inclusion in certain investigations of the former CEO Fabrizio Viola and former President Alessandro Profumo, pointed out that the transactions being challenged were carried out by the former management of the Bank while the new management initially assessed, then, autonomously, resolved to restate them and finally settled them insofar significantly decreasing the riskiness of these instruments.

The start of an investigation, which represents an obligation for the public prosecutors, stems from a complaint brought by a shareholder of the Bank, which, during the shareholders' meeting, also proposed an action for liability, in respect of the former President and CEO, which was rejected by the shareholders' with a 99,6% of votes against it. The inclusion in the investigations is therefore to be considered as a "mandatory act", as also stated by the Prosecutor of the Republic of Siena before submitting the case to the Milan prosecutor for territorial jurisdiction.

The Bank therefore strongly reaffirmed the full correctness of its actions, and trusting that the activities of the judiciary, with which the new management, however, has always collaborated in the last four years, contributing greatly to the ongoing investigations will lead to a clarification of the situation in the short-term.

On 14 September 2016 the Board of Directors of BMPS approved the terms of the resolution of employment with Mr. Fabrizio Viola, effective on 15 October 2016, accepting the proposal formulated by the Remuneration Committee.

The same Board of Directors of the Issuer unanimously approved the appointment of Marco Morelli as the Group's new Chief Executive Officer and General Manager.

On 14 September 2016 Massimo Tononi resigned as Chairman and Director of Banca Monte dei Paschi di Siena S.p.A., effective after the conclusion of the Shareholder's meeting to be called for the approval of the preparatory activities to develop the plan announced to the market on 29 July 2016.

On 26 September 2016 the Board of Directors of BMPS, in addition to ordinary issues, analysed the plan presented to the market on 29 July 2016. Considering the fast market evolution and preliminary indications received by institutional investors, detailed analysis have been started, *inter alia*, to incorporate, in the transaction structure the possibility of including a liability management exercise (a direct offer to holders of debt instruments issued or guaranteed by the Bank, aimed at their voluntary exchange into equity) pursuant to terms and conditions still under analysis. The Board of Directors, confirming the objectives of the plan announced on July 29, intends to finalize as soon as possible the most functional structure to ensure its full success.

Prospects and outlook on operations

Within the global economy, the United States and the other developed countries continue their expansion, whereas emerging countries continue to pose risks for the world growth.

In the euro zone, cyclical expansion sustained by domestic demand continues, however, exports remain weak and risks linked to the uncertain geopolitical situation and to the Brexit vote, which negatively affected financial markets increase. Inflation values are insignificant and are expected to remain low in the medium term also due to large margins of unused production and employment capacity.

The Governing Council of the ECB strengthened the monetary stimulus with a complex package of expansionary measures consisting in increasing size and composition of securities purchase, in further decreasing official rates and in new longer term refinancing measures for the banks on extremely favourable terms (the so-called "**TLTRO 2**") to foster credit to households and companies.

Several factors make the situation in the euro zone difficult for the second half of 2016. Brexit results are at the moment the main external risk, to which the need of reducing non-performing loans in the banking industry has to be added, on ECB instructions and driven by financial markets. This issue has also involved the Governing Bodies at domestic level which are developing a set of workable solutions liaising with the authorities and the European partners.

Plan for the disposal of doubtful loans, the reduction of the risk profile and the strengthening of the capital base

With reference to the situation of the Group and in particular to the stock of impaired loans, the Board of Directors of the Bank approved on 29 July 2016 the guidelines of a transaction involving the derecognition of the entire portfolio of doubtful loans of the Group (€27.7 billion gross and €10.2 billion net at 31 March 2016). The project as a whole determines a capital need that, on the basis of a preliminary estimate, is equal to a maximum of €5 billion.

The completion of the transaction is subject, *inter alia*, to the obtaining of all regulatory and supervisory approvals. The Bank shall submit to the ECB for approval as soon as possible the New Capital Plan providing all actions, including the capital increase, aimed at the achievement of a more than adequate capital base. In this regard it is noted that the ECB has authorized the Bank to completely neutralize the impacts on LGD models deriving from the derecognition of the doubtful loans portfolio subject to the full execution of the project.

The transaction, which is unprecedented in its structure and size on the Italian market, represents a fundamental step for BMPS and, upon its completion, will reaffirm it between the leading institutions of the Italian banking system, with a robust capital position, a reduced risk profile, a credit quality significantly improved and a renewed growth potential of profitability for the benefit of all stakeholders.

The transaction should be considered as a "whole transaction" meaning that no phase can be executed without the execution of all the others.

In particular, the doubtful loans portfolio of BMPS will be entirely transferred to a securitization vehicle set up under Law 130. It is envisaged that this transfer will take place at a price equal to €9.2 billion (i.e., 33% of the gross value). Following appropriate due diligence and structuring it is assumed that the financing of the vehicle would be structured as follows:

- senior notes up to €6.0 billion, which will be placed on the market with the potential assistance of GACS (*Garanzia Cartolarizzazione Sofferenze*) for the investment grade component;

- mezzanine notes for an amount up to about €1.6 billion subscribed by the Atlante Fund;

- junior tranche for an amount up to about €1.6 billion assigned to the shareholders of BMPS, in order to obtain the simultaneous derecognition of the portfolio of doubtful loans by BMPS. It is also expected that the financial instrument to be assigned to the current shareholders of BMPS will be listed, under certain assumptions, in order to provide for an easier marketability mechanism.

According with the timeline for the entire transaction, which involves the set-up of the capital increase by the end of the current financial year and the simultaneous derecognition of the doubtful loans portfolio, if, within the date on which the guarantee agreement for the capital increase will be signed, the timing does not allow the implementation of a structure of a securitisation involving the issuance of long-term notes, it is envisaged that a bridge financing will be activated which could be supported by BMPS by providing a residual senior mezzanine financing, so as not to jeopardize the derecognition of the doubtful loans portfolio; this structure will allow anyway to proceed with the assignment of the junior tranches to the existing BMPS shareholders.

Quaestio Capital Management SGR S.p.A., on behalf of the Atlante Fund, entered into a Memorandum of Understanding with BMPS that defines the phases and the conditions for the investment of the Atlante Fund, provided simultaneously with the conclusion of the capital increase for a maximum amount of €1.6 billion, through the subscription of the mezzanine notes. In the framework of the Memorandum of Understanding it is provided that Quaestio Capital Management SGR S.p.A. will appoint a Co-Arranger for securitization and the master servicer of the portfolio of doubtful loans. Moreover, Quaestio Capital Management SGR S.p.A. will coordinate the definition of the business plan for the recovery of the doubtful loans, which will be assigned to several special servicers, selected through a competitive bid. The project for the divestiture of the loans recovery platform of BMPS is confirmed, which could manage a third of the portfolio to be securitized.

It is also envisaged that the Atlante Fund be assigned warrants, with underlying newly issued shares of the Bank equal to 7 % of the fully diluted share capital after the completion of the capital increase and having the following main characteristics:

- exercise price equal to the sum of (i) the issue price of new shares issued at the service of the capital increase and (ii) the weighted average of the volumes of the price of the option rights;

- exercisable at any time within 5 years from the issue date;

- not transferable to third parties or to be used for the setting up of synthetic coverage structures.

The Board of Directors of BMPS will convene a shareholders' meeting for the approval of (i) a divisible capital increase, offered in option to the shareholders of BMPS, for a maximum amount of €5 billion in order to restore a robust capital base as a result of the transaction, (ii)

a share capital increase with no option rights, at the service of the warrants to be assigned to the Atlante Fund, and (iii) the constitution and simultaneous reduction of the share premium reserve for the purposes of the assignment of the junior tranche to the shareholders of BMPS.

J.P. Morgan and Mediobanca, with the role of Joint Global Coordinators and Joint Bookrunners and Banco Santander, BofA Merrill Lynch, Citigroup, Credit Suisse, Deutsche Bank, Goldman Sachs International, with the role of Co-Global Coordinators and Joint Bookrunners, have signed a preunderwriting agreement having as its object the commitment - subject to conditions in line with the market practice for similar operations as well as, *inter alia*, to the good outcome of the derecognition of the entire portfolio of doubtful loans and of the marketing activity with investors - to sign a guarantee agreement for the subscription of the newly issued shares, which will eventually remain unsold at the end of the auction for the unexercised rights, for a maximum amount of €5 billion.

The successful finalization of the transaction will allow BMPS:

- to meet the doubtful loans stock reduction requirements requested in the draft letter of the ECB, the main content of which was communicated to the market on 4 July 2016;
- to reduce the risk profile of the Bank; and
- to significantly improve the future profitability of the Bank for the benefit of all stakeholders.

The transaction will also enable the Bank to remove the critical factors emerged in the EBA EU-wide stress test of 2016.

The derecognition of the entire portfolio of doubtful loans will enable the Bank to boast a credit quality among the best of the Italian market as well as to reduce the complexity and the risk profile of the Group and to achieve an improvement in the liquidity position and a better financial stability of the Bank.

For these purposes, the Bank will consider in the coming months possible amendments to the loan valuation policies.

It is expected, finally, upon completion of the operation, that the reduction of risk will have a positive impact on the profitability perspectives, in particular in terms of reduction of the cost of risk and the cost of funding, allowing both to accelerate the return to levels of sustainable profitability and to take advantage of further opportunities for growth.

The current shareholders of BMPS will retain the opportunity to participate to the potential upside deriving from the recovery of doubtful loans transferred to the vehicle via the assignment of the junior tranche mentioned previously.

With regard to the timing of completion of the transaction, it is expected, by the end of the month of October 2016, the Board of Directors to call upon the shareholders' meeting of BMPS and to approve the new business plan of the Bank that will be presented to the financial community. The shareholders' meeting for approval of the transaction is scheduled for the month of November 2016.

On 26 September 2016 the Board of Directors of BMPS, in addition to ordinary issues,

analysed the plan presented to the market on 29 July 2016. Considering the fast market evolution and preliminary indications received by institutional investors, detailed analysis have been started, *inter alia*, to incorporate, in the transaction structure the possibility of including a liability management exercise (a direct offer to holders of debt instruments issued or guaranteed by the Bank, aimed at their voluntary exchange into equity) pursuant to terms and conditions still under analysis. The Board of Directors, confirming the objectives of the plan announced on July 29, intends to finalize as soon as possible the most functional structure to ensure its full success.

It is finally worth noting that the economic effects of the transaction, with particular reference to writedowns and losses on disposal of loans that might derive, are closely connected with the implementation of the latter and that the same provides for various stages (as identified above) which are mutually conditional upon and therefore the conditions required by the accounting principles to recognize these losses/writedowns in whole or in part in the half-year condensed consolidated financial statements are not satisfied. Moreover, the effects arising from the sale of doubtful loans portfolio as well as any further impacts on the remaining portfolio of impaired loans will be specifically assessed, also for the purposes of the possible updating of internal policies, taking account of the significant size of the doubtful loans portfolio subject of derecognition and of the unique circumstances that characterize the same.

The Group, having re-assessed the current status of realization of the Transaction and subject to its actual completion, as of the date of this Prospectus, confirms the conclusion included in the consolidated half-year report as at 30 June 2016 at the last sentence of paragraph entitled "Accounting policies – Going concern", to have a reasonable expectation to continue in operational existence for the foreseeable future.

2. RATINGS

On 15 July 2016 Moody's has downgraded BMPS's standalone baseline credit assessment (BCA) to 'ca' from 'caa2' and placed long-term senior unsecured ('B3') on review for downgrade. On 8 August 2016, Moody's changed the review on BMPS's long-term senior unsecured ('B3') and on BMPS's baseline credit assessment to direction uncertain. At the same time, the Not-Prime short-term ratings were affirmed.

On 4 August 2016, Fitch placed BMPS's long-term Issuer Default Rating ('B–') on Rating Watch Evolving and the short-term rating ('B') on Rating Watch Negative; at the same time the viability ratings ("VR") was downgraded to 'ccc' from 'b-' and was placed on Rating Watch Evolving.

On 30 September 2016 DBRS lowered its ratings on BMPS: the senior long-term debt and deposit rating to B(high) from BB, and the Bank's intrinsic assessment (IA) has been lowered to B(high) from BB.

The Bank's Short-term debt and deposit rating remain at R-4 and the long / short term Critical Obligations Ratings remain at BBB (low) / R-2 (middle), all ratings are still Under Review with Negative Implications (URN).

Ratings Agencies	Long term rating	Outlook	Short term rating	Outlook	Last updated
Moody's	B3	Rating Watch to direction uncertain	NP	-	8 August 2016
Fitch	B-	Rating Watch Evolving	B	Rating Watch Negative	4 August 2016
DBRS	B(High)	Rating Watch Negative	R-4	Rating Watch Negative	30 September 2016

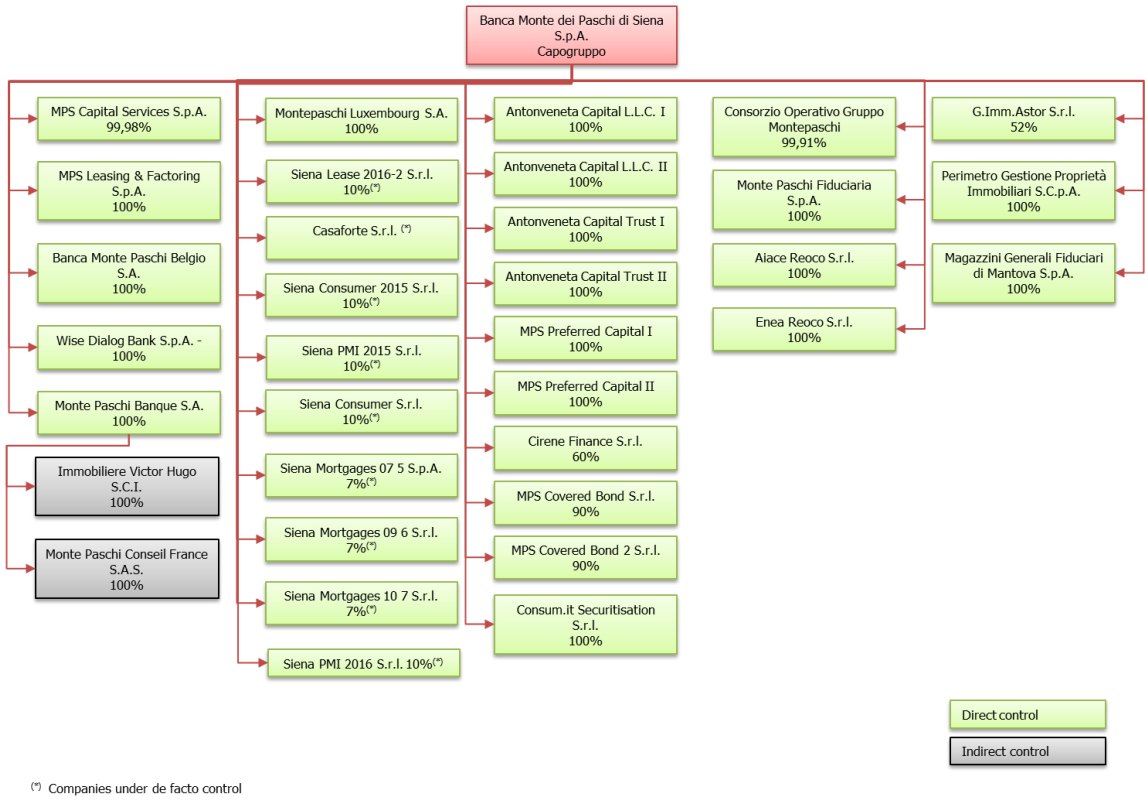
As at the date of this Prospectus, the Bank has ratings from Moody's, Fitch and DBRS. On October 31, 2011, these credit rating agencies were registered pursuant to Regulation No. 1060/2009/EC of the European Parliament and of the Council of September 16, 2009 governing credit rating agencies.

3. PRINCIPAL COMPANIES OF BPMS GROUP

BMPS, as the parent company of the BMPS Group, performs the functions of policy, governance and control of the controlled financial companies and subsidiaries in addition to its banking activities.

BMPS, as the bank that exercises the management and coordination activities of the Group, pursuant to the fourth paragraph of Article 61 of the Consodliated Banking Act, issues, in the performance of the activities of management and coordination, instructions to the companies of the Group, including execution of the instructions given by the relevant supervisory bodies and in the interest of the stability of the Group.

The list below sets out the main companies of the Group and their percentage ownership as at the date of this Prospectus.



4. STRATEGY

On October 7, 2013, the Board of Directors of BMPS approved the 2013-2017 Restructuring Plan which the Bank had drawn up as part of the procedure for the issuance of the New Financial Instruments and for approval by the European Commission of the state aid (the "**Restructuring Plan**"). It contained the Group's strategic guidelines and objectives in terms of the Group's income statement, balance sheet, and cash flows. On November 27, 2013, the European Commission approved the Restructuring Plan.

On November 28, 2013, the Bank's Board of Directors approved a 2013-2017 business plan (the "**Business Plan**") in order to set out in detail the strategic and operating guidelines of the Restructuring Plan.

As at the date of this Prospectus a detailed timetable of the Board of Directors meetings is going to be defined, including the approval of the new business plan on 24 October 2016.

The Restructuring Plan contains a number of forecasts and estimates that are based upon certain future events being realized, and certain future actions being implemented by the Directors and management. They include, *inter alia*, a number of hypothetical assumptions that are subject to risks and uncertainties (together, the "**Original Assumptions**").

Status of the Restructuring Plan Implementation

Set out below are the commitments that were to be fulfilled, and the objectives to be reached, in 2014, the first full year under the Restructuring Plan, as well as the Bank's progress with respect to those items:

- *Redemption of the New Financial Instruments*: The Restructuring Plan envisaged repayment of the New Financial Instruments on the following timetable (with a margin of tolerance of 10%): €3 billion during 2014; €600 million during 2015; €150 million during 2016; and €321 million during 2017. On 1 July 2014, the Bank reimbursed the required €3 billion nominal amount of New Financial Instruments, and on 15 June 2015 BMPS, following completion of the rights offering, has redeemed in full nominal value of € 1.071 billion of New Financial Instruments outstanding. Through such redemption BMPS has fully repaid the State aids received in 2013 well in advance of the deadline of 2017 set forth among the commitments undertaken with the MEF and the DG Competition of the European Commission.

- *Reduction in assets*: The Bank undertook to reduce total assets on its balance sheet in 2014 to the level set forth under the Restructuring Plan, which is between €185 billion and €225 billion with a margin of 10% for the period 2013 to 2016 (with no margin for 2017). As at 31 December 2014, the Bank had total consolidated assets of €183.4 billion.

- *Reduction in holdings of Italian government bonds in the AFS portfolio*: The Restructuring Plan does not provide for specific reductions in 2014, but does limit the size of the portfolio to a number between €21 billion to €25 billion throughout the life of the Restructuring Plan. Further, the Italian government bonds maturing in the years 2013 to 2017 may be replaced only with bonds whose duration is not more than three years (with a margin of tolerance of one month). Italian government bonds maturing outside that period may be replaced only with bonds which, at the time of purchase, have a duration no longer than those they replace. As at 31 December 2014, the nominal value of

Italian government bonds in the Bank's AFS portfolio totaled €18.7 billion, and the Bank was otherwise in compliance with the requirements in respect of replacement bonds.

- *Sale of equity investments*: Under the Restructuring Plan, the Bank was required to sell its equity investments in Consum.it by the end of 2014, or in the absence of a buyer, merge it into the Bank. An agreement in respect of such merger was entered into on 11 May 2015, and the merger will take legal effect on 1 June 2015, and accounting effect from 1 January 2015.

- *Cost reduction*: The Bank has agreed to reduce its personnel and administrative costs to a maximum of €2.6 billion, with a margin of tolerance of 2%, in 2014. For the year ended 31 December 2014, the Group recorded administrative expenses (including personnel expenses) of €2.514 billion[4].

- *Rights issue*: The Bank carried out a rights issue, as required, in 2014, for €5 billion (as compared to a minimum requirement of €2.5 billion under the Restructuring Plan).

- *Obligations related to corporate governance*: The Bank agreed that the shareholders' meeting would consider a resolution regarding the introduction into the by-laws of provisions requiring at least one third of the members of the Board of Directors to be independent directors, within the meaning of such term under Italian law. This resolution was approved on 29 April 2014.

The Bank complied with all other commitments required to be complied with in 2014.

Subsequent Events and Impact on Restructuring Plan Assumptions and Projections

Significant changes in the macroeconomic and regulatory environment, and the occurrence of other events, subsequent to the Restructuring Plan's approval by the European Commission have meant that a number of the Bank's assumptions underlying the Restructuring Plan are no longer valid, and that the Bank's financial performance for 2014 was significantly below the financial projections set forth in the Restructuring Plan. These changes and events include, among others, the entry into force of the establishment of the Single Supervisory Mechanism by which the Bank became subject to the sole supervision of the ECB; the conclusion, and communication of the final results, of the comprehensive assessment of the banking sector and the SREP carried out by the ECB in 2014; and the impact on the Bank of the findings of the AQR that formed part of the Comprehensive Assessment. The Bank was nevertheless in compliance with the commitments assumed under the Restructuring Plan as at December 31, 2014, as confirmed in the most recent report from the Restructuring Plan's monitoring trustee.

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[4] Data from restated financial statements. "Personnel expenses" in our income statement for 2014 was reduced by €343 for restructuring costs, due to early retirement incentives/provisions, as per the trade union agreement of August 7, 2014 (for approximately €337 million) and, for the remainder, other initiatives regarding personnel. The amount was reclassified under "Restructuring costs/One-off charges". "Other administrative expenses" in the reclassified income statement was reduced for the portion of stamp duty and client expense recovery (approx. €330 million) posted under "Other operating expenses/income". Restructuring charges (approximately €33 million), allocated against the closure of branches, were also eliminated from the item.

The New Targets[5] cover a period extending to 2018, versus 2017 under the Restructuring Plan as originally adopted.

Consequently, the Bank has outlined a set of updated financial and capital objectives based on modified assumptions for the period 2015 through 2018 (collectively, the "**New Targets**"), approved by the Board of Directors on May 8, 2015 and communicated to the market on May 11, 2015, along with the Bank's presentation of its results for the three month period ended March 31, 2015.

The New Targets contain a number of forecasts and estimates that are based upon certain future events being realized, and certain future actions being implemented by the Directors and management. They include, *inter alia*, a number of hypothetical assumptions that are subject to risks and uncertainties regarding the current macroeconomic environment, future events and actions by the Directors and management that will not necessarily occur, and events and actions upon which the Directors and the management have no or only partial influence, regarding the performance of the main components of the Group's balance sheet and income statement, and other factors that influence their evolution (together, the "**Assumptions**").

The main Assumptions relate to: (i) the absence of any modification to the New Targets requested by the European Commission and the ECB; (ii) the successful completion of the rights offering by the end of June 2015; (iii) positive developments in the Italian macroeconomic environment; (iv) improvement in credit quality of the Bank's loan book over the life of the Restructuring Plan as a result of actions taken by management, including reducing the proportion of doubtful loans in the loan book by launching a multi-year loan disposal program and by increasing recovery rates through the increased use of dedicated companies to handle the management and resale of the Bank's real estate owned properties; (v) approval of the early repayment during 2015 of the outstanding New Financial Instruments, which was received on May 12, 2015, using a portion of the proceeds of the rights offering; (vi) structural rebalancing of liquidity, including by taking advantage of the TLTRO program to optimize the cost of funding, which depends in part on the positive evolution of the macroeconomic environment; and (vii) the successful outcome of the actions taken to bring exposure to Nomura within regulatory limits without having to unwind the Alexandria transaction ahead of its termination.

The New Targets were formulated with reference to the Bank's existing structure. The Bank believes that the rights offering and the early repayment in full of the New Financial Instruments represent preliminary steps towards meeting the New Targets and realizing a combination or merger with a potential partner.

Given the uncertainty associated with the occurrence of any future events, both in terms of their occurrence at all, and in terms of the means and timing of their occurrence, the differences between the forecasts and actual results could be significant, even where the events anticipated under the Assumptions do indeed transpire.

[5] After the approval of the new business plan scheduled on 24 October 2016 the New Targets could be superseded.

Renegotiation of the Commitments in 2015-2018

Given the difficulty reaching the net fee and commission income target and the impossibility of offsetting the lower level of income with further cost reductions as provided for in the commitments given the changed environment in which the Group is operating, the reduction in operating costs contemplated by the New Targets diverges from than that originally provided for in the Restructuring Plan. Consequently, the Bank will seek to renegotiate this commitment, which requires that, in the event that the net commissions and net profit targets were not met in 2015 and 2016, and Return on Equity was below the target set forth in the Restructuring Plan, the Bank would be required to effect additional cost reductions. Such cost reduction must be the lowest of (i) the difference between expected commission income and those realized, (ii) the difference between pre-tax income expected and that realized and (iii) the amount set forth in the Restructuring Plan. The targets related to this commitment have a margin of tolerance of 2%.

The New Targets, for 2015 and 2016, include a cost reduction that is greater than that called for in the Restructuring Plan for circumstances in which the Bank has met its fee income and net profit targets, but lower than the cost reduction that would be called for where the Bank has not met those targets. The European Commission may consequently request that the Bank increase the size of the cost reduction contemplated by the New Targets.

In addition, although the Bank's commitment to dispose of its subsidiaries MP Banque, MP Belgio and MPS Leasing & Factoring S.p.A., given the uncertainty around the timing and manner of meeting those commitments, the New Targets do not take into account any potential effects of such disposals.

The following table illustrates the implementation of the commitments in the period between 2014 and 2018, according to closing 2014 balances and the estimates contained in the New Targets.

Repayment of NFI	**2014**	**2015 E**	**2016 E**	**2017 E**	**2018 E**
			(Euro millions)		
Required amount	3,000	600	150	321	NA
Actual/Estimate	3,000	1,071			

The New Targets contemplate compliance with the commitments under the Restructuring Plan during the years 2015-2017

Reduction in assets	**2014**	**2015 E**	**2016 E**	**2017 E**	**2018 E**
			(Asset value, Euro billions)		
Required amount	185-225	175-215	170-205	181	NA
Actual/Estimate	183.4				176.6

The New Targets contemplate compliance with the commitments under the Restructuring Plan during the years 2015-2017

Reduction in holdings of Italian government bonds in the AFS portfolio	**2014**	**2015 E**	**2016 E**	**2017 E**	**2018 E**
			(Nominal value, Euro billions)		
Required amount		21-25	21-25	17.0	
Actual/Estimate	18.7				17.0

The New Targets contemplate compliance with the commitments under the Restructuring Plan during the years 2015-2016. With respect to 2017, the Bank will comply with its own interpretation of the commitments[6]

Rights Offering	**2014**	**2015 E**	**2016 E**	**2017 E**	**2018 E**
			(Euro billions)		
Required amount	2.5				
Actual/Estimate	5.0	3.0			
Commitment met in 2014					

Cost Reduction	**2014**	**2015 E**	**2016 E**	**2017 E**	**2018 E**
			(Euro millions)		
Required amount	2,400-2,900	2,200-2,700	2,200-2,700	2,375	NA
Actual/Estimate	2,514				2,283

Commitment met in 2014. In subsequent years, the cost reduction, although greater than that provided for in the Restructuring Plan, diverges from what is required by the commitments with respect to net commissions, Return on Equity and net income

Guidelines for achieving the New Targets

The New Targets are based upon the guidelines contained in the Restructuring Plan, with additional measures designed to improve credit quality and loan recovery rates and strengthen capital.

The strengthening of the quality and quantity of capital

The strengthening of the quality and quantity of the Group's capital to bring it into structural alignment with regulatory requirements will be pursued through:

- the Rights Offering, which follows on the 2014 Rights Offering and which affords the Bank the opportunity to repay in full the outstanding New Financial Instruments ahead of the 2017 deadline provided for under the Restructuring Plan; and

- capital management actions and the optimization of Risk-Weighted Assets in a manner that leaves overall asset levels unchanged, including through a selective reduction in the credit portfolio that seeks to improve quality without reducing the economic support provided to local areas.

The Bank may derive additional benefits from an eventual sale of MP Banque, MP Belgio and the leasing business conducted by MPS Leasing & Factoring S.p.A., but given the uncertainties around the means and timing of any possible sale, potential effects are not reflected in the New Targets.

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[6] The commitment provides that, upon unwinding of the Santorini transaction further to a favorable court decision, government bonds in the AFS portfolio may not exceed €14 billion as at 31 December 2017. While the Bank unwound the Santorini transaction in December 2013, it did so pursuant to an out-of-court settlement that had a negative impact on its financial results and on shareholders' equity. Since the unwinding did not follow a "favorable judicial decision", the Bank has contested the Commission's interpretation of the commitment and continues to maintain that the maximum allowed remains at €17 billion.

Structural rebalancing of liquidity

The structural rebalancing of liquidity seeks to allow the Bank to achieve in 2018 a loan-deposit ratio, net of institutional funding, of approximately 121%, and an overall loan-deposit ratio of approximately 94%.

In addition, between 2015 and 2018, the Bank will be able to take advantage of the opportunity provided by the ECB's TLTRO program to optimize its cost of funding and, at the same time, issue medium- and long-term debt obligations to establish a balanced funding structure, both in terms of cost and duration.

Achievement of sustainable levels of profit

The achievement of sustainable levels of profit (targeting RoE and RoTE for 2018 of approximately 8%) is intended to be achieved both through actions on the revenue side driven by a significant increase in productivity, and through cost containment, with a stricter policy on asset quality, and improvements in operating efficiency, with structural measures for rationalizing the Group's organization and improved efficiency in commercial and operating processes. More specifically:

Productivity

In 2014, the Bank took measures to increase the efficiency and productivity of its branch network, with the goal of increasing productivity of account managers and the number of contacts made with customers.

The ongoing review of the sales network is progressing, with the implementation of a process designed to reorganize our distribution network for more efficient geographical coverage, to establish a new customer service model and to increase our multi-channel offering, employing digital services for both transactional and relational ends, as well as to provide operational support to the branches. To this end, the Bank intends to implement a "hub-and-spoke" model for its network, in addition to closing 350 additional branches and refurbishing approximately 700 others. The Bank also intends to focus more on corporate clients, further to the creation of a service model dedicated to companies with high potential.

It is expected that the greater process efficiency will free up branch personnel to dedicate more time to customer service, helping the Bank create a leaner network of branches that can respond more flexibly to client needs, offering more customized solutions. The Bank is also restructuring its corporate segment and has introduced a new client segment, "Top Corporate", dedicated to providing services to SMEs with high potential, that will leverage of the specialized knowledge of the asset managers, focusing in particular on high valued-added products.

Operating efficiency— The new Restructuring Plan seeks to improve efficiency throughout the Bank's organizational structure, not only within the operational and distribution model, but also at its corporate head office and at the regional coordination units. To that end, it is currently reviewing its overall structure to seek ways to encourage cost synergies and manage a headcount reduction, including, among other measures, the extension of the digitalization of the network business processes, further centralization of administrative services, changes to the way in which the Bank's costs and real property are managed, and optimizing the credit and control functions.

Improvements in credit quality

The New Targets envisage a decrease in cost of credit, from 654 basis points in 2014 to 106 basis points in 2018. The high cost of credit in 2014 was partly attributable to the AQR, and consequently, not entirely representative of the cost of credit overall. Irrespective of the actions identified by the New Targets, improvement in credit quality also depends on factors beyond management's control, in particular, the improvement of the macroeconomic environment, which impacts rates of default.

The Group began an in-depth review of its credit management procedures, aimed at establishing centralized, standardized management of the entire credit process, thus ensuring more direct control and effective implementation of a series of initiatives that could potentially reduce the cost of credit between 2015 to 2018. The measures are intended to optimize the risk-return profile of the lending portfolio, by implementing rigorous credit policies and strict selection criteria for new loans. In addition, following conclusion of the Comprehensive Assessment, the Bank identified a number of actions to be taken to address the specific areas of concern pointed out by the ECB. These include:

- outsourcing the management of non-performing loans with nominal value at or below €150,000 by way of competitive tender process to reputable providers on the market;

- optimizing our use of external legal counsel and introducing fee arrangements with preferred legal providers, with remuneration tied to performance, which is to be measured by identified criteria. During the first quarter of 2015, the Bank reduced the number of external counsel used;

- introducing a structured, multi-year program of loan portfolio disposals, with the goal of disposing of an aggregate €5.5 billion between 2015 and 2018[7]; and

- increased use of dedicated external companies ("real estate owned companies" or "**REOCo**") to handle the management and resale of the Bank's real estate owned properties to limit the decline in mortgaged property values. Amongst the aims of the REOCo will be to maximize the expected sale price of an auctioned property by participation in the auction. It is expected that the use of REOCos will be in place in the second half of 2015.

Key Financial targets

In summary, the New Targets are set forth in the following table[8]. Given the uncertainty associated with the occurrence of any future events, both in terms of their occurrence at all, and in terms of the size and timing of their occurrence, the differences between the forecasts and the final figures could be significant.

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[7] On 23 June 2015 BMPS signed a binding agreement for the disposal pro soluto of a non performing loans portfolio originated by Consum.it to Banca IFIS S.p.A. and a securitization vehicle financed by an affiliate of Cerberus Capital Management, L.P..

[8] Note that although the Bank's commitment to dispose of its subsidiaries MP Banque, MP Belgio and MPS Leasing & Factoring S.p.A., given the uncertainty around the timing and manner of meeting those commitments, the New Targets do not take into account any potential effects of such disposals.

The selected financial data set forth below includes, in addition to the conventional financial performance measures established by IFRS, certain alternative performance measures (such as Loan-deposit ratio, ROE and ROTE) that are presented for purposes of a better understanding of the trend of operations and the financial condition. It is to be noted that, since not all companies calculate financial measurements in the same manner, these are not always comparable to measurements used by other companies. Accordingly, such measures these financial measures should not be seen as a substitute for measures defined according to the IFRS.

For further details about Loan-deposit ratio, ROE and ROTE please see respectively note 1, 2 and 3 to the table below.

	As at December 31, 2014	**2015 Objective**	**2018 Objective**	**CAGR 2014-2018**
	(€ billions except ratios)	*(€ billions except ratios)*	*(€ billions except ratios)*	*%*
Balance Sheet Measures				
Total assets	183.4		176.6	-0.90%
Loans to customers	119.7		118.9	-0.2%
Direct funding	126.2		126.1	-0.0%
Loan-deposit ratio(1)	95%		~94%	
Income Statement Measures				
Interest margin(*)	2.2		2.5	+4.2%
Net commissions(*)	1.7		2.3	+7.3%
Revenues(*)	4.2		5.1	+4.8%
Operating expenses(*)	2.8		2.5	-2.2%
Gross operating profit(*)	1.5	1.6-1.8	2.6	+15.0%
Net impairments on loans	7.8		1.3	-36.7%
Net income	-5.3	Positive	~0.9	n.a.
Cost of credit	654 b.p.		106 b.p.	
Cost/Income	65.1%		~49%	
RoE(2)	n.m.		~8%	
RoTE(3)	n.m.		~8%	

Notes:

(1) Calculated as the ratio of (x) loans to clients net of debt securities issued and (y) deposits, net of New Financial Instruments.

(2) Calculated as the ratio between the current year's annual profit and the average of shareholders' equity in the prior and the current year, adjusted for dividends accrued over the year.

(3) Calculated as the ratio between the current year's annual profit and the average of shareholders' equity in the prior and the current year, adjusted for dividends accrued over the year, and net of goodwill.

(*) Income Statement figures reclassified according to operating criteria.

In addition, as a result of the rights offering and the early repayment in full of the New Financial Instruments, the Bank's regulatory capital going forward will be improved. The New Targets were developed assuming compliance with a Common Equity Tier 1 Ratio of 10.2% and a Total Capital Ratio of 10.9% (each, on a transitional basis) as requested by the ECB.

The following table sets forth a summary of the target changes to risk-weighted assets and to the Common Equity Tier 1 Ratio, each on a phased-in basis.

	As at December 31, 2014	**2018 Objective**
	(€ billions except ratios)	
Risk-Weighted Assets (RWA)	76.2	77.9
Common Equity Tier 1 Ratio	8.7%	12.0%

Common Equity Tier 1, on a fully-phased basis as at 31 December 2018 is targeted to be 12.0% under the Restructuring Plan. Common Equity Tier 1 Ratio (fully phased) is calculated in accordance with the rules expected to be in place at the end of the transitional period, including the Bank of Italy's discretionary measures, but without taking into account the prudential filter on unrealized gains and losses with respect to exposures to EU central governments classified in the AFS portfolio, and assuming that the New Financial Instruments are replaced in full with shareholders' equity in accordance with Restructuring Plan targets. The entirety of the negative AFS reserve related relating to the sovereign exposure in the "Alexandria" transaction is excluded.

5. FUNDING

General

During 2014 the Group successfully continued to employ various sources of funding, both on the retail domestic market and on international markets dedicated to qualified investors.

Retail domestic market

The BMPS Group issues various kinds of securities, including fixed rate bonds or floating rate bonds, zero coupons and light structured bonds with different maturities, placed to retail customers of the BMPS Group throughout its network of branches.

International markets

The BMPS Group has different international programmes dedicated to qualified investors.

On a short-term maturity the BMPS Group has two certificate of deposit programmes issued under the BMPS London Branch "Euro-Certificate of Deposit Global Programme", the "French Certificats de Dépot" dedicated to French investors, and the USD certificate of deposit programme issued by the BMPS New York Branch.

On a medium-term the BMPS Group covers its funding requirements by issuing a variety of debt instruments such as fixed or floating rate notes or zero coupon notes (both publicly and privately placed) under its dedicated programmes; senior or subordinated unsecured notes issued under the EMTN "€50 billion Debt Issuance Programme", and covered bonds issued under the "€10 billion Covered Bond Programme".

6. INFORMATION TECHNOLOGY

In recent years the BMPS Group has implemented a reorganisation of its information technology (IT) operations directed at promoting more uniformity of IT systems and structures within the Group. As part of this restructuring, a consortium was created to manage the Group's IT systems and serve the needs of the various functions within the BMPS Group.

The consortium is currently engaged in several development projects principally for the areas of risk management, trading back office procedures, credit rating and scoring, customer service centre, new products catalogue, payment and settlement procedures and software enhancement for the international branches.

7. COMPETITION

The BMPS Group faces significant competition from a large number of banks throughout Italy and abroad.

A period of consolidation has created larger, more effective and competitive banking groups. Competition in both deposit-taking and lending activities has intensified, contributing to the narrowing of spreads between deposits and loan rates.

In attracting retail deposits and financing retail customers, the Bank primarily competes at the local level with medium-sized local banks, and to a lesser extent, with super-regional banks. The Bank's major competitors in other areas of the Italian banking market are Italian national and super-regional banks, such as UniCredit Group, Intesa SanPaolo, Banco Popolare, UBI Banca and BPER Group.

Foreign banking institutions operating in Italy, that may also have greater financial and other resources than the BMPS Group, are growing in number and are regarded as increasingly more effective competitors, mainly in corporate banking and sophisticated services related to asset management, securities dealing, brokerage activities and mortgage lending.

8. LEGAL RISKS

The Group is involved in legal and tax proceedings arising in the ordinary course of business, several of which include claims for significant damages. Although the outcome of these proceedings cannot be predicted, management does not believe that liabilities arising out of these claims are likely to have a material adverse effect on the Group's consolidated results of operations or financial condition.

Legal Proceedings

As of the date of this Prospectus there are several sets of legal proceedings (civil, criminal and administrative) pending against the Issuer. A part of these proceedings has its origins in an extraordinary and exceptional situation linked to the criminal proceedings launched by the Public Prosecutor and the judicial matters in which the Issuer was involved in the years 2012 and 2013. These matters relate mainly to (i) financial transactions undertaken in connection with the acquisition of Banca Antonveneta, (ii) various financial transactions carried out by the Bank, including the ones connected to the restructurings of the "Alexandria" notes and the "Santorini" transaction, (iii) previous rights offerings by the Bank in 2008 and 2011; and (iv) the FRESH 2008 transaction. These events also led to disciplinary actions being filed by our Supervisory Authorities against our previous management; in the event that sanctions are imposed on our former managers, the Bank is nonetheless held jointly liable with them and there is no certainty that the Bank would be able to take recourse against such managers to recover any amounts paid as a result of such sanctions. In addition, certain consumer associations and individual investors have brought civil suits against the Bank on the basis of financial instruments sold to the public in the context of the Bank's capital increases. This context also includes lawsuits brought by the Bank against the former chairman of our Board of Directors and our former general manager, and suits for damages against Nomura and Deutsche Bank AG in connection with the restructuring of the Alexandria notes and Santorini transaction, respectively.

In addition to these matters, there are also disputes deriving from the ordinary course operations of the Bank, namely: clawback actions, compound interest, placement of bonds issued by sovereigns and companies that then defaulted, placement of other financial instruments and financial products.

Following estimates carried out in relation to the risks of loss in the aforementioned proceedings provisions amounting to around € 612 million were made, as of 31 December 2015, within the component "legal disputes" (including clawbacks) € 601,4 million as of 30 June 2016.

The components of the total Fund for Risks and Charges include amongst other things allocations in respect of presumed losses on estimated for complaints by clients. These funds are deemed appropriate for covering the potential liabilities which could arise from ongoing proceedings as of 30 June 2016.

The estimate of the liabilities is based from time to time on the information currently available and in any case entails, due to numerous factors of uncertainty which characterise the various judicial proceedings, multiple and significant elements of evaluation. In particular, it is sometimes not possible to produce a reliable estimate as in the case in which, for example, the proceedings have not begun, in the case of potential counterclaims or when there are legal and factual uncertainties that make estimates unreliable. Accordingly although the Issuer takes the view that the total for risks and charges set aside in the accounts is to be considered appropriate in relation to the charges potentially arising from the possible negative effects of the aforementioned litigation it is possibile that the provision may appear insufficient to meet in full the charges, expenses, sanctions and compensation and restitution claims connected to the pending cases or that the Group may in future be required to bear charges and obligations of compensation or restitution not covered by provisions, with possible negative effects on the assets and financial and economic situation of the Bank and/or the Group.

Disputes related to Criminal Investigations and Legal Affairs in 2012 and 2013

Following the criminal investigations in which the Bank was involved in 2012 and 2013 various criminal, civil and administrative proceedings were brought by the Public Prosecutor, the Supervisory Authorities, the Bank itself, associations of consumers and investors.

The position of the Bank in the various proceedings followed the principle of corporate and managerial discontinuity which underpinned the actions for renewal taken by the management who replaced the management in office at the time of the events in question which sought to identify the best initiatives for safeguarding the Bank, its assets and reputation. In keeping with this defense, the Bank has brought lawsuits against its former top management.

Criminal Investigations and Proceedings

(A)Acquisition of Banca Antonveneta

On 30 July 2013 the Public Prosecutor at the Court of Siena issued a "notice of completion of preliminary investigations", under art. 415-*bis* of the Italian Code of Criminal Procedure and art. 59 of Legislative Decree No. 231/2001 against some directors, executives and managers of the Board of Auditors of the Bank at the time of the events as well as the Bank itself. Six

acts of administrative wrongdoing (under Legislative Decree No. 231/2001) connected to crimes allegedly committed by the management at that time were considered in respect of the Bank in its capacity as a legal person in the stage of the investigations (in the context of transactions aimed at obtaining financial resources for the acquisition of Banca Antonveneta): Market manipulation (art. 185 of the Consolidated Finance Act), obstructing the exercise of public supervisory functions (art. 2638 of the Italian Civil Code), false statements in accounts (art. 173-bis of the Consolidated Finance Act), false corporate communications (art. 2622 of the Italian Civil Code) and abuse of privileged information (art. 184(1)(b) of the Consolidated Finance Act) are the main offences charged by the Public Prosecutor against the Bank's management from 2008 to 2011.

In particular, these disputes specifically derive from: (i) the dissemination of false information, suitable for significantly altering the price of the Issuer shares in relation to the FRESH 2008 transaction; (ii) failure to communicate material information to the competent Supervisory Authorities, such as the issue by the Bank of an indemnity side letter in favour of J.P. Morgan Securities Ltd (now J.P. Morgan Securities plc) in 2008 and in favour of The Bank of New York (Luxembourg) S.A. in March 2009 and the signing of certain addendums to the usufruct agreement entered into with J.P. Morgan Securities Ltd (now J.P. Morgan Securities plc); (iii) failure to provide information on the payment of a usufruct instalment to J.P. Morgan Securities Ltd (now J.P. Morgan Securities plc) in relation to shares acquired from the latter; (iv) the communication to certain public officials of the acquisition of Banca Antonveneta by the Bank; and (v) false statements and the concealment of information in prospectuses published upon capital increases carried out by the Bank in 2008 and 2011 with particular reference to the representation of various components of the "FRESH 2008" transaction and placement of the FRESH 2008, indirectly subscribed by the MPS Foundation through total return swap agreements.

In such proceedings the Bank's defence was mainly based on the fact that the behaviour of the management in office in the reference period was responsible for circumventing the organisational model.

By way of the "request for indictment" of 2 October 2013 the Public Prosecutor launched the criminal proceedings against some of those natural persons investigated who held executive positions or belonged to the Board of Auditors of BMPS at the time of the events, whilst the Public Prosecutor of Siena, by way of the order of 10 April 2014, dismissed the charges initially envisioned against BPMS and accepted its defence.

As part of the same proceedings, the Public Prosecutor issued a request for indictment against the legal person J.P. Morgan Securities Ltd (now J.P. Morgan Securities plc), accused of a an administrative wrongdoing under Legislative Decree No. 231/2001 arising from a supposed breach of art. 2638 of the Italian Civil Code (Obstacle to exercise of functions of the public regulatory authorities).

The first preliminary hearing against the former directors and members of the Board of Auditors of BMPS and J.P. Morgan Securities Ltd (now J.P. Morgan Securities plc) was held on 6 March 2014 and on that occasion the Bank made a request for a civil appearance which was allowed by the Judge of the Preliminary Hearing in relation to all the counts of indictment and all the defendants for the purpose of compensation for non-financial damages. Following the objection of lack of territorial competence previously raised by certain defendants at the hearing of 6 May 2014 the Judge of the Preliminary Hearing declared that the Court did not have territorial jurisdiction and the case was referred to the Public

Prosecutor at the Courts of Milan. As regards the evolution of these proceedings at the Court of Milan please refer to the next paragraph.

The proceedings are still pending. In March 2016 the proceedings were joined with the criminal proceedings pending before the Court of Milan relating to the "Santorini", "FRESH 2008" and "Chianti Classico" transactions.

In the context of these proceedings, in April 2015, with reference to the FRESH 2008 transaction, the Court of Milan sent the Court of Rome records relating to the offence of obstructing the exercise of supervisory functions (section 2638 Italian Civil Code) which members of the Issuer's Board of Statutory Auditors in office at the date of events have been charged with (Tommaso Di Tanno, Leonardo Pizzichi and Pietro Fabretti); in relation to these criminal proceedings, the Issuer was informed on 14 July 2016 that the Judge for Preliminary Investigations at the Court of Rome upheld the application to dismiss the case in relation to the above positions.

(B)Restructuring of the "Alexandria" notes

The first instance of the criminal proceedings relating to the offence of obstacle to the regulatory authority's functions pertaining to the "Alexandria" transaction brought against the Bank's senior executives in office at the time of the events under consideration concluded with a conviction by the Court of Siena of Giuseppe Mussari, Antonio Vigni and Gianluca Baldassarri. In these proceedings the request to enter a civil appearance by the Bank and consumer associations was dismissed.

In a matter arising out of the facts underlying the restructuring of the "Alexandria" notes, following a notice dated April 3, 2015 of the conclusion of its preliminary investigations, in the context of proceedings involving charges for false corporate communications and market manipulation, the Milan Public Prosecutor filed a request for trial against Mussari, Vigni and Baldassarri, as well as two members of the management of Nomura, in relation to the alleged violations of Article 2622, par. 1, 3 and 4 of the Italian Civil Code and of Article 185 of the Consolidated Finance Act, committed in cooperation among them with relevant conduct under Articles 3 and 4, par. 1, of Law No. 146/2006 on transnational crimes.

The complaints concern alleged crimes arising from the concealment of losses accrued in the financial statements of the Issuer in the financial year ended on 31 December 2009 as a result of the investment in the "Alexandria" notes through the conclusion of their restructuring and the method of its entry in the accounts.

In relation to the alleged crimes by the aforementioned natural persons the Public Prosecutor also requested indictment of the Issuer and Nomura for the administrative wrongdoing set out under art. 25-*ter*, letter c, and 25-*sexies* of Legislative Decree No. 231/2001. For reasons depending on service formalities, Nomura was excluded from parties responsible for the offence pursuant to D.Lgs 231/2001, whilst civil actions against BMPS brought in relation to corporate liability pursuant to D.Lgs 231/2001were rejected by means of a ruling by the Judge for Preliminary Hearings (GUP) issued at the hearing on 27 November 2015.

On 12 October 2015 the preliminary hearing was held in the criminal proceedings relating to the Alexandria transaction in which the Bank is involved in its double role as civil defendant liable party and civil claimant. In relation to this latter matter the Bank entered an appearance against Mussari, Vigni and Baldassarri.

In March 2016 the case was joined with other criminal proceedings pending before the Court of Milan referred to in the paragraph below.

Finally, with regard to interim measures intended to restore financial damages, investors are reminded that in the context of proceedings commenced before the Court of Siena, on the instructions of the Public Prosecutor, the Tax Police Unit of the Guardia di Finanza carried out on 16 April 2013 a preventive seizure in various Italian cities against Banca Nomura International plc. and several members of the management of the Issuer in office at the time of the events under consideration. In particular, the seizure conducted at Banca Nomura amounted to around € 1.8 billion. As notified by the Public Prosecutor of Siena the seizure was ordered for preventive purposes and for purposes of confiscating an equivalent amount in relation to the offence of aggravated usury and aggravated fraud committed against the Issuer in relation to the transformations connected to the restructuring of the Alexandria vehicle. As however the Judge of the Preliminary Investigation had not confirmed the preventive order the Public Prosecutor filed an appeal against the ruling before the Appeal Court which upheld the decision of the Judge of the Preliminary Investigation.

After a hearing by the Supreme Court, Second Criminal Division, advanced by the public Prosecutor of Siena which resulted in the Appeals Court's decision being invalidated and the case being remanded to the Appeals Court in Siena for reconsideration, the matter is still pending

After a hearing by the Supreme Court, Second Criminal Division, advanced by the public Prosecutor of Siena which resulted in the Appeals Court's decision being invalidated and the case being remanded to the Appeals Court in Siena for reconsideration, the matter is still pending

(C)FRESH 2008, Alexandria, Santorini and Chianti Classico transactions– Criminal proceedings at the Court of Milan

By way of the order of 13 January 2016 the Public Prosecutor at the Court of Milan ordered the service upon BMPS and other persons under investigation of the notice of conclusion of preliminary investigations pursuant to art. 415-*bis* of the Italian Code of Criminal Procedure regarding the lines of investigation relating to the "FRESH 2008", "Alexandria", "Santorini" and "Chianti Classico" transactions. On the basis of the statement issued on 14 January 2016 by the Public Prosecutor at the Court of Milan all the lines of investigation into the transactions were concluded.

In relation to the FRESH 2008 transaction (carried out in the context of transactions aimed at obtaining the financial resources to acquire Banca Antonveneta) various offences were alleged to have been committed by the managers and executives of BMPS in office at the time of the events, including false corporate communications in relation to the financial statements of 2008 (art. 2622 of the Italian Civil Code), market manipulation in relation to the financial statements of 2008 and the six monthly report as of 30 June 2008 (art. 185 of the Consolidated Finance Act), obstructing the exercise of public supervisory functions (art. 2638 of the Italian Civil Code) and false accounting (art. 173-*bis* of the Consolidated Finance Act) in relation to the prospectuses relating to the two capital increases of 2008 and 2011 and to the prospectuses relating to offers of bonds and certificates in the period 2008-2012. Also, the effects of the incorporation by reference of several accounting documents containing the erroneous accounting entries, inter alia, of the FRESH, Alexandria and Santorini transactions were considered relevant to the latter.

With respect to the Santorini transactions two former managers and an executive of BPMS, six executives of Deutsche Bank AG – by way of the relevant behaviour for the purposes of art. 3 and 4(1) of Law No. 146/2006 regarding transnational offences – were alleged to have committed the offences of false corporate communications (art. 2622 of the Italian Civil Code) and market manipulation (art. 185 of the Consolidated Finance Act) in relation to the impact arising from the transaction on the financial statements relating to the financial years 2008, 2009, 2010, 2011 and the financial situations as of 31 March 2012, 30 June 2012 and 30 September 2012.

With respect to the Alexandria transaction three managers and executives of BMPS in office at the time of the events and two senior executives of Nomura International plc, London - by way of the relevant behaviour for the purposes of art. 3 and 4(1) of Law No. 146/2006 regarding transnational offences – were alleged to have committed the crimes of false corporate communications (art. 2622 of the Italian Civil Code) and market manipulation (art. 185 of the Consolidated Finance Act) in relation to the impact of the transaction on the financial statements relating to the financial years 2008, 2009, 2010, 2011 and the financial situations as of 31 March 2012, 30 June 2012 and 30 September 2012.

As stated above, this case was joined with the proceedings pending before the Court of Milan described in the paragraph above in which a request for indictment was made relating to the offences concerning the financial statements of 2009. Further, the same persons were alleged to have committed the offence of impeding the exercise of regulatory functions of CONSOB (under art. 2638 of the Italian Civil Code) regarding the reporting of several transactions concerning government bonds entered into by BMPS and Nomura.

With respect to the Chianti Classico transaction two managers of the Issuer in office at the time of the events were alleged to have committed the offence of impeding the exercise of functions of the regulatory authority (art. 2638 of the Italian Civil Code) and failure to make several communications due in relation to the transaction to Bank of Italy and CONSOB.

In relation to the offences alleged to have been committed by the aforementioned natural persons the Public Prosecutor also served the notice of conclusion of the preliminary investigations:

(1) upon BMPS for the administrative wrongdoing set out at art. 25-*ter*, letter b, 25-*ter*, letter s, and 25-*sexies* pursuant to Legislative Decree No. 231/2001 arising from the complaint concerning the respective offences of false corporate communications (art. 2622 of the Italian Civil Code), impeding the exercise of regulatory functions (art. 2638 of the Italian Civil Code) and market manipulation (art. 185 of the Consolidated Finance Act); and

(2) upon Deutsche Bank AG, Deutsche Bank AG London Branch and Nomura International plc, London in relation to the administrative wrongdoing set out at art. 25-*ter*, letter b, and 25-*sexies* of Legislative Decree No. 231/2001 arising from the complaint concerning the respective offences of false corporate communications (art. 2622 of the Italian Civil Code) and market manipulation (art. 185 of the Consolidated Finance Act).

The results of the investigations revealed that in the financial statements and the accounting entries of BMPS communicated to the market between the financial statements of 31

December 2008 and the quarterly report of 30 September 2012 untrue data was allegedly illustrated.

The offences pertaining to the financial situation as of 31 March 2012, 30 June 2012 and 30 September 2012 were alleged to have been conducted by the persons under investigation, as they had determined the prerequisites for the approval by the new management of BMPS on account of the previous behaviour as senior executives with the resulting exclusion from any involvement by the management in office in 2012.

At the time of the proceedings the filing of a civil claim by more than 300 persons against the defendant natural persons, including former employees of BMPS, including the Bank's former employees, was allowed. Further, the filing of a civil claim by the Bank against Giuseppe Mussari, Antonio Vigni, Daniele Pirondini and Gian Luca Baldassarri was also allowed.

By way of an order of 13 May 2016 the Judge of the Preliminary Hearing allowed the filing and bringing of compensation claims by the civil claimants against the defendant bodies who were already party to proceedings as they had been charged under Legislative Decree No. 231/2001, having recognised that the civil claimant which entered a claim, in case of criminal proceedings involving the company and its employees, has a right to compensation also against the company and that there are on a theoretical basis compensation claims, there is no complaint of co-liability on the part of the company in terms of gross negligence or wilful misconduct and there is a causal link between the act and the duties of the defendant (natural persons) in the absence of complaints regarding their personal interests.

On 2 July 2016, with the consent of the Public Prosecution, BMPS submitted an application for a plea bargain in the criminal proceedings in relation to the complaints raised against the body under Legislative Decree No. 231/2001.

By way of the application for plea bargain, if allowed, the Bank intends to exit the trial as defendant of the administrative wrongdoing arising from the offences of its former management, restructuring the consequences to a fine of €600,000 and a disbursement of €10,000,000 without exposing itself to the risk of further sanctions.

(D) Information pursuant to section 154-ter (7) of the Consolidated Finance Act relating to the Alexandria transaction.

With respect to the Alexandria transaction it is to be noted that, by way of resolution no. 19459 of 11 December 2015, CONSOB, having concluded the investigation activities, ascertained the non-compliance of the consolidated and stand-alone financial statements of 2014 and the half-yearly report as of 30 June 2015 with the regulation setting forth the criteria of the application of IAS 1, IAS 34 and IAS 39 with specific and exclusive reference to the accounting treatment (on an open account basis or as a CDS derivative) of the items referred to the Alexandria transaction.

As a consequence of the above CONSOB requested to the Bank to issue to the market the following information: (i) a description of the international accounting principles that are applicable to the asserted violations; (ii) an outline of the lack of information and incorrectness of the consolidated financial statement as of 31 December 2014 and of the semiannual accounts as of 30 June 2015; (iii) some information aimed to represent the effect of the application of the IAS 8 in connection with the mistakes related to the recognition

measurement and presentation of the transaction as a CDS derivative with the consequent accounting of the transaction as a derivative in accordance with the definition of the paragraph 9 of IAS 39. For further details see the press statement by the Issuer on 16 December 2015 and available on the site www.mps.it.

With reference to proceedings no. 3861/12 pending before the Court of Siena, involving Mr. Baldassarri and other parties, including certain Bank managers and the founding partners of the Enigma Group, who are charged with the offence of criminal association for the commission of "aggravated fraud to the detriment of the equity of BMPS", it should be noted, as reported in the media, that in August 2016 the parties concerned were notified that investigations have now concluded.

Sanctioning rulings issued by Regulatory Authorities

Bank of Italy sanctions proceedings

(A) Sanctions proceedings following 2011-2012 Bank of Italy inspections on the financial risks and risk-weighted assets.

On 28 March 2013, Bank of Italy issued the sanctioning ruling upon the conclusion of proceedings commenced against the members of the former Board of Directors and Board of Auditors, and the former General Manager and Executive Committee of the Issuer, related to the inspections conducted by Bank of Italy over the period from 2011 until 2012. The persons responsible for the breaches who were in office at the time of the inspection and the Bank, as jointly liable party, were issued with sanctions totalling €5,065,210 and the foregoing sanctions were issued against the members of the Board of Directors and the Board of Auditors, the General Manager and Chairman of the Executive Committee and the other members of the Executive Committee due to breach of the legal framework on the containment of financial risks; they were issued against the members of the Board of Directors and the General Manager due to lack of organisation of internal controls and, lastly, against the members of the Board of Auditors due to gaps in internal controls.

The Bank paid the sanctions in its capacity as jointly liable party and has not commenced appeals against the ruling; the Bank has started preparatory activities for the purpose of commencing mandatory recourse actions against the sanctioned persons with the right to suspend such actions against the top level executives for whom no conduct characterised by wilful misconduct or gross negligence could be found in the context of the facts in question or with respect to whom no corporate liability action has been notified; the foregoing applies only with regard to the period of time necessary for the completion of all appeals envisaged under the applicable legal framework in force.

The actions for recourse are not suspended against attorney Mussari, Vigni or Baldassarri in consideration of the commencement of the corporate liability action against the first two, and considering the criminal matters which led to the application of personal precautionary measures against Baldassarri.

In March 2014, an action for recourse was commenced against the three above-mentioned persons before the Court of Florence (Section Specialised in business matters). On 20 February 2015, the Court declared its lack of subject matter jurisdiction and recognised that territorial jurisdiction rested with the Court of Siena, assigning to the parties the term provided by law for the resumption of the proceedings. The lawsuit was resumed before the

Court of Siena on 7 May 2015. At the hearing held on 26 October 2015, the suspension of the proceedings was ordered; on 23 November 2015, the Bank challenged the suspension ruling before the Supreme Court in accordance with art. 42 of the Italian Code of Civil Procedure.

(B) Bank of Italy sanctions proceedings for the determination of economic benefits granted to the former General Manager Dr. Antonio Vigni at the time of the early termination of his employment relationship

On 25 July 2013, Bank of Italy served upon a number of the members of the Board of Directors and of the Remuneration Committee in office at the time of the facts in question and the Bank, as jointly liable party, a sanctioning ruling concerning the breach of Bank of Italy provisions on remuneration and incentive policies and practices in banks and banking groups, as well as the breach of the same provisions and duties on the part of the members of the Board of Auditors to report to the Supervisory Body on the determination of economic benefits granted to the former General Manager at the time of the cessation of his mandate. The total amount of the sanctions applied is €1,287,330.

The Bank paid the sanctions in its capacity as jointly liable party and has not commenced appeals against the ruling; the Bank has started preparatory activities for the purpose of commencing mandatory recourse actions against the sanctioned executives, with the right to suspend such actions against the persons with respect to whom no conduct characterised by wilful misconduct or gross negligence could be found in the context of the irregularities alleged and with respect to whom no corporate liability action has been notified; the foregoing applies only with regard to the period of time necessary for the completion of all appeals envisaged under the applicable legal framework in force.

The action for recourse was not suspended against the then Chairman of the Board of Directors, Giuseppe Mussari. In March 2014, an action for recourse was commenced before the Court of Florence (Section Specialised in business matters). By a ruling issued on 18 May 2015, the Court suspended the proceedings until the resolution of the appellate proceedings commenced by Mussari against the sanctioning ruling, finding that a relationship of interdependence and legal priority existed between the two disputes.

(C) Bank of Italy disciplinary action for failure to disclose information to the Supervisory Body concerning the FRESH 2008 transaction

In December 2012, the Bank of Italy commenced sanction proceedings against the Bank for violating regulations related to minimum total consolidated assets as at June 30, 2008 and for failure to provide information to the Supervisory Authorities concerning the indemnities granted to The Bank of New York (Luxembourg) S.A. in March 2009 (the "**BoNY Indemnity 2009**") and J.P. Morgan in relation to the FRESH 2008 transaction, as well as additional documentation regarding amendments to the beneficial ownership agreement with J.P. Morgan and payment of fees to J.P. Morgan between July 2008 and April 2009, also in relation to the FRESH 2008 transaction. Additional violations related to inaccurate regulatory disclosures and irregularities in accounting and financial reporting. On October 10, 2013, the Bank of Italy served notice to BMPS of €3,472,540 in administrative sanctions against the Bank's directors, statutory auditors and certain former officers for which the Bank is jointly liable.

The Bank has not commenced any appeals against the ruling and paid the sanctions as jointly liable party. As is the case with other sanctions described above, the Bank commenced

activities in preparation of the actions for recourse, granting the suspension of such action – for the period of time necessary to complete all appeal mechanisms envisaged under the applicable legal framework in force – against the sanctioned persons with respect to whom no conduct characterised by wilful misconduct or gross negligence could be found in the context of the irregularities alleged, no corporate liability action has been notified and no indictments have been requested in the context of the related criminal proceedings pending before the Court of Siena.

Therefore, the commencement of the action for recourse was not suspended against the former Chairman Giuseppe Mussari and the former General Manager Antonio Vigni, or against the members of the Board of Auditors in office at the time of the facts or the Bank's former Head of Legal Affairs.

In March 2014, an action for recourse was commenced against the above-mentioned persons before the Court of Florence (Section Specialised in business matter) which, on 21 July 2015, declared its lack of subject matter jurisdiction and recognised the territorial jurisdiction of the Court of Siena, assigning to the parties the term provided by law for the resumption of the proceedings. On 26 October 2015, the proceedings were resumed before the Court of Siena; on 23 February 2016, the Court of Siena declared the suspension of the proceedings. On 21 March 2016, the Bank appealed the suspension ruling before the Supreme Court of Cassation in accordance with art. 42 of the Italian Code of Civil Procedure.

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For the sake of completeness, following the in-depth verifications conducted on the FRESH 2008 transaction and the prudential assessments related to the Bank's issuance in March 2009 concerning the BoNY Indemnity 2009, Bank of Italy, on 7 May 2013, passed a ruling – in accordance with art. 53 and art. 67 of the Consolidated Banking Law – which excluded from the regulatory capital the FRESH 2008 Shares in the amount of €76 million since the issuance of the BoNY Indemnity 2009 would produce, at the substantive level, the same effects as a forward purchase commitment for such securities, implying a reassumption of the business risk by the Issuer.

In addition, in December 2013, CONSOB requested, in accordance with art. 114, paragraph 5, of the Consolidated Finance Act, the correction, at the latest by the time of the publication of the financial statements as of 31 December 2013, of the amount of consolidated net shareholders' equity, in a manner analogous to what was done for purposes of the determination of the regulatory capital.

CONSOB sanctions proceedings

(A) CONSOB sanctions proceedings for irregularities in the preparation of the offering circular related to the 2008 capital increase

By a letter dated 22 April 2013, CONSOB commenced sanctions proceedings for breach of art. 94 paragraphs 2 and 3, and art. 113, paragraph 1, of the Consolidated Finance Act in relation to possible irregularities in the drafting of the offering circular related to the public offering for subscription and admission to trading of the Bank's shares deriving from the capital increase approved by resolution by the shareholders' meeting held on 6 March 2008.

The allegations concern principally the omission of information related to total return swap contracts (known as "**TROR**") entered into by Fondazione MPS with third party financial counterparties and structured in order to enable the Foundation to subscribe for, indirectly and without an immediate outlay, a portion of FRESH 2008 amounting to 49%, corresponding to the shareholding held at such time by the Foundation in the Bank. The lack of disclosure on the TRORs and on their essential characteristics allegedly prevented investors from reaching an informed decision on the Bank's capacity to raise new funding without support from a third party guarantor and on the future structure of the Bank's shareholding structure, in consideration of the convertibility of the FRESH 2008 into BMPS shares. More generally, the material nature of the omissions allegedly prevented investors from reaching an informed decision on the Bank's balance sheet, financial condition, results of operations and future prospects.

The breaches were alleged against the Directors and Statutory Auditors of the Bank in office at the time of the facts and the Bank as jointly liable party pursuant to art. 195, paragraph 9, of the Consolidated Finance Act. As part of the proceedings, the relevant persons submitted various defensive arguments of a general nature and pertaining to the subjective and objective element of the wrongful act alleged, but the Bank has not done so since the acts alleged pertain to conduct on the part of individuals which so far have not given rise to repercussions for the Bank in accordance with the provisions of Legislative Decree No. 231/2001.

By resolution no. 18885 dated 17 April 2014, CONSOB concluded the sanctions proceedings imposing monetary administrative sanctions totalling €450,000 upon the Bank's pro-tempore directors and statutory auditors, allocated among the individual persons depending upon the role held by each company executive and the actual function performed within the Bank.

The Bank has not commenced any appeals against the ruling and paid the sanctions as jointly liable party. As is the case with other sanctions described above, the Bank commenced activities in preparation of the actions for recourse, granting the suspension of such action – for the period of time necessary to complete all appeal mechanisms envisaged under the applicable legal framework in force – against the sanctioned persons with respect to whom no conduct characterised by wilful misconduct or gross negligence could be found in the context of the irregularities alleged, no corporate liability action has been notified and no indictments have been requested in the context of the related criminal proceedings pending before the Court of Siena.

(B) CONSOB disciplinary proceeding for disclosure irregularities in the 2011 rights offering

By a letter dated 23 April 2013, CONSOB commenced sanctions proceedings for breach of art. 94, paragraphs 2 and 3, and art. 113, paragraph 1, of the Consolidated Finance Act in relation to possible irregularities in the preparation of the offering circular related to the public offer for subscription and admission to trading of the Bank's shares deriving from the capital increase approved by resolution by the shareholders' meeting held on 6 June 2011.

The disputed disclosure mainly concerns the omission of information on the 2008 TROR agreements and subsequent trading in 2011. The dispute also surrounds the failure to disclose the potential impact of the release of the BoNY Indemnity 2009. It is alleged that, when the Bank released this indemnity, it simultaneously committed to indemnify The Bank of New York (Luxembourg) S.A. against shareholders' suits brought in the context of the FRESH 2008 litigation, and against suits brought as a result of the changes to rules governing share

ownership voted by the shareholders following the Bank of Italy's decision not to include in its regulatory capital calculation the above-mentioned €76 million in BMPS shares. These shares pertained to a single investor, who advanced several formal claims prior to the general shareholders' meeting, and other shareholders who had voted against the resolutions in question.

In addition, CONSOB concluded that the four periodic instalments paid by the Bank to J.P. Morgan over the period July 2008 - April 2009 under the usufruct agreement entered into between the parties, as part of the FRESH 2008 transaction, on account of the characteristics of the obligations undertaken between the parties and a consequent different accounting and financial statement classification of the shares subscribed by J.P. Morgan, should have been entered in the accounts differently, causing direct effects on net worth.

Therefore, allegations were raised against the Bank that, also as a result of the effects on the offering circular resulting from the incorporation by reference of the accounting documentation already published, the erroneous accounting entry of (i) the usufruct instalments; (ii) the effects of the BoNY Indemnity 2009; and (iii) the transactions forming the subject matter of the restatement dated 6 March 2013 ("Alexandria" and "Santorini"), allegedly prevented investors from reaching an informed assessment of the Bank's balance sheet, financial condition, results of operations and future prospects.

The breaches were alleged against the Bank's Directors and Statutory Auditors in office at the time of the facts and against the Bank as jointly liable party. As part of the proceedings, defensive arguments were submitted by the individuals involved, but not by the Bank since the acts alleged pertain to conduct on the part of individuals which so far have not given rise to repercussions for the Bank in accordance with the provisions of Legislative Decree No. 231/2001.

By resolution no. 18886 dated 18 April 2014, CONSOB concluded the sanctions proceedings imposing monetary administrative sanctions in the total amount of €700,000 upon the Bank's pro-tempore Directors and Statutory Auditors, allocated among the individual persons depending upon the role held by each one and the relevant actual function performed within the Bank.

With regard to the payment of the sanction and the actions for recourse, please refer to the previous paragraph.

(C) CONSOB disciplinary proceeding for disclosure irregularities in the issuance of other financial instruments between 2008 and 2012

By a letter dated 30 May 2013, CONSOB commenced sanctions proceedings for breach of art. 94 paragraphs 2 and 3, and art. 113, paragraph 1, of the Consolidated Finance Act in relation to possible irregularities in the registration documents of the Issuer published over the period June 2008 – June 2012 incorporated by reference in 27 prospectuses related to the issuance of bonds and certificates.

In these proceedings, the Supervisory Authority raised allegations similar to those relating to the sanctions proceedings for possible irregularities in the drafting of the offering circular related to the 2011 capital increase described in the preceding paragraph. In this case as well, the breaches were alleged against the Bank's Directors and Statutory Auditors in office at the time of the facts and the Bank as jointly liable party. In the context of the proceedings,

defensive arguments were submitted by the individuals involved, but not by the Bank since the acts alleged can be ascribed to conduct on the part of individuals which so far have not given rise to repercussions for the Bank in accordance with the provisions of Legislative Decree No. 231/2001.

By resolution no. 18924 dated 21 May 2014, CONSOB concluded the sanctions proceedings imposing monetary administrative sanctions in the total amount of € 750,000 upon the Bank's *pro tempore* Directors and Statutory Auditors, allocated among the individual persons depending upon the role held by each one and the relevant actual function performed within the Bank.

With regard to the payment of the sanction and the actions for recourse, please refer to the paragraph "*CONSOB sanctions proceedings for irregularities in the preparation of the offering circular related to the 2008 capital increase*".

(D) CONSOB disciplinary proceedings related to disclosure violations in the 2008 and 2011 offering documents as well as other issuances of financial instruments by the Issuer

On 5 August 2013, CONSOB initiated further proceedings relating to disclosure violations in the public offerings of bonds and certificates and the 2008 and 2011 capital increases. These proceedings arise from routine CONSOB supervision of the Bank and also CONSOB's receipt in June 2013 of the following requested documents: (i) amendments to the beneficial ownership (usufruct) agreement, signed on 1 October 2008 between the Bank and JP Morgan Securities Ltd., and the swap entered into on 16 April 2008; and (ii) the termination agreement, signed on 19 May 2009 between the same parties, which purports to terminate the beneficial ownership (usufruct) agreement.

CONSOB's reply in the proceedings described above contains the following: (i) in BMPS's December 31, 2008 financial statements, the capital increase reserved to JP Morgan Chase is recorded as an asset, while, on the basis of the documentation gathered by the Authorities and IAS-IFRS standards, it should have been recorded as a financial liability; and (ii) in the pro forma financial information as at 30 June 2007, which was included in the prospectus for BMPS's 2008 capital increase, the capital increase, reserved to JP Morgan, was erroneously recorded as shareholders' equity rather than as a debt instrument.

The information provided in the financial statements is alleged to be vitiated by errors, and not compliant with EC Regulation No. 1606/2002. In the case of the capital increase reserved to JP Morgan Chase, this information is included in 18 base prospectuses related to the issuance of various financial instruments, through the inclusion by reference of the 2008 financial statements in the related registration documents published in 2009 and 2010 and in the prospectus relating to the capital increase of 2011. As regards the June 30, 2007 pro forma financial information, this information was included in the prospectus relating to the 2008 capital increase.

The alleged violations would constitute violations of Article 94, Paragraphs 2 and 3, of the Consolidated Finance Act, and Article 5, Paragraph 1, of CONSOB Regulation No. 11971 of May 14, 1999, as well as Art. 113, Paragraph 1, of the Consolidated Finance Act.

The allegations were made against the Directors and Statutory Auditors of the Bank in office at the time, with whom the Bank is jointly and severally liable. In the course of the procedure, counterclaims have been filed by the individuals involved, but not by the Bank. The contested

facts are attributable to the conduct of single individuals but not to the Bank's conduct, pursuant to the rules and regulations referred to in Legislative Decree 231/2001. As a result of the investigatory phase of the process, CONSOB determined there was no basis for any further sanctions and concluded its proceedings.

(E) CONSOB sanction proceedings for violation of Article 187-ter of the Consolidated Finance Act (Market manipulation)

Again as a result of the irregularities noted in the accounting entry and accounting and financial statement representation of the components of the FRESH 2008 transaction, CONSOB commenced sanctions proceedings against the Chairman of the Board of Directors, the General Manager and the Chief Financial Officer, respectively, Giuseppe Mussari, Antonio Vigni and Daniele Pirondini, in office at the time of the facts, for breach of art. 187-*ter* of the Consolidated Finance Act. The proceedings were commenced against BMPS as jointly liable party and also as party responsible pursuant to art. 187-*quinquies* of the Consolidated Finance Act.

The dispute concerns the publication of misleading data on Tier 1 capital, regulatory capital and equity ratios contained in our June 30, 2008 interim consolidated financial statements. The Bank submitted defensive arguments to rule out its liability as legal entity within the meaning set forth in art. 187-*quinquies* of the Consolidated Finance Act, in line with the defensive theories which led the public prosecutor of Siena to formulate a request for abandonment with regard to the Bank for all matters related to administrative liability pursuant to Legislative Decree No. 231/2001. By resolution no. 18951 dated 18 June 2014, CONSOB concluded the sanctions proceedings imposing – in accordance with art. 187-*ter* of the Consolidated Finance Act – upon the three above-mentioned persons administrative sanctions totalling €750,000 and a mandatory ancillary inhibitory administrative sanction in accordance with art. 187-*quater*, paragraph 1, of the Consolidated Finance Act, for a period of twelve months, which entails the temporary loss of honourability requisites for the company executives and their temporary incapacity to take on management, guidance and control roles in listed companies and in companies belonging to groups of listed companies.

Through the same resolution, however, the Bank, as jointly liable party, was ordered, in accordance with art. 6, paragraph 3, of Law No. 689/1981, to pay the above-mentioned monetary sanctions imposed upon the three persons and also received, in accordance with art. 187-*quinquies*, paragraph 1, letter a), of the Consolidated Finance Act, an additional monetary administrative sanction in the amount of €750,000 for the breach committed by the three above-mentioned individuals in the Bank's interest.

The Bank paid the sanctions and submitted an appeal by the applicable deadlines provided by law with exclusive reference of the application of the sanction provided by art. 187-*quinquies*, paragraph 1, letter a), of the Consolidated Finance Act. The appeal was then rejected by the competent Court.

As for the proceedings described above, the Bank has started preparatory activities for the purpose of commencing recourse actions against the above-mentioned sanctioned individuals.

(F) CONSOB sanctions proceedings for alleged violation of Article 115 of the Consolidated Finance Act

By resolution no. 18669 dated 2 October 2013, CONSOB imposed upon BMPS a monetary

administrative sanction in the amount of €300,000 for the alleged breach of art. 115 of the Consolidated Finance Act dealing with a request for information that concerned FRESH 2003 shares, FRESH 2008 shares and the above-mentioned TROR agreements between the MPS Foundation and financial counterparties concerning the indirect subscription of the shares in question. Following an appeal submitted by the Bank, the Florence Court of Appeals reduced the administrative sanction imposed through the above-mentioned resolution to €50,000.

(G) CONSOB sanctions proceedings for violation of Article 149, Paragraph 3, of the Consolidated Finance Act

By a letter dated 5 March 2014, CONSOB served upon the Bank, as jointly liable party, a letter of allegations related to the breach of art. 149, paragraph 3, of the Consolidated Finance Act allegedly committed by the members of the Board of Auditors in office at the time of the facts following the failure to report to CONSOB operational and organisational irregularities discovered in year 2010 following verifications performed by the internal auditing function in the Bank's property finance process.

In line with the position taken by the Bank in the above-mentioned Bank of Italy sanctions proceedings following the inspections conducted over the period 2011-2012 on financial risks and the processes for determining weighted assets, considering that the facts underlying the allegation were essentially the same, BMPS did not submit defensive arguments.

Having concluded its review of the merits, on 6 October 2014, CONSOB notified the Bank that it has started its investigatory phase.

By letters dated 13 May 2015 and 11 June 2015, CONSOB's administrative sanctions office sent to the Bank a copy of the report dated 16 February 2015, setting forth its reasoned proposals for a decision on the proceedings in question and sanctions by resolution no. 19390 dated 11 September 2015, concluded the sanctions proceedings imposing monetary administrative sanctions in the total amount of €90,000 upon the members of the Board of Auditors in office at the time of the facts and the Bank, which have paid such amount, as jointly liable party in accordance with article 195, paragraph 9, of the Consolidated Finance Act.

Civil Proceedings

(A) Lawsuits brought by shareholders in connection with the 2008, 2011 and 2014 capital increases

It should be noted that certain investors/shareholders of the Bank, with a view to obtaining compensation for damages allegedly suffered due to the alleged inaccuracy of disclosure given by the Bank on its own balance sheet, income statement, economic and financial condition, between 2008 and 2013, in particular through the related offering circulars, have commenced 15 legal proceedings seeking damages before the Courts of Lecce, Bari, Milan, Florence and Naples. In such lawsuits, the plaintiffs seek a finding of liability on the part of the Bank pursuant to art. 94 of the Consolidated Finance Act, as well as cancellation of the agreement for the subscription of the capital increases and/or purchases of shares due to wilful misconduct and/or essential error within the meaning set forth in the Italian Civil Code. As of the date of this Prospectus, the overall claims raised in the context of the above-mentioned lawsuits amount to approximately € 283 million.

The number of legal actions by investors and the damages claims could rise significantly with respect to those already pending as of the date of this Prospectus, also following developments in the proceedings already commenced and the courts' investigations which began in 2012 (as at the date of this Prospectus, approximately 350 civil actions have been brought).

The following proceedings are reported in such context.

(B) Banca Monte dei Paschi di Siena S.p.A. Dispute

In July 2015 a shareholder brought an action against the Bank alleging that he had acquired shares between 2008 and 2013, upon capital increases carried out in 2008 and 2011, and on the MTA (screen-based stock exchange), on the basis of allegedly false information provided by the Bank regarding its equity, economic, financial, income and managerial situation. A further 124 plaintiffs have intervened in proceedings, raising the same claims (although the respective positions are not all the same). Adverse parties are seeking compensation for financial and non-financial damages in the amount of around Euro 97 million (petitum). The case is at the preliminary phase.

(C) Banca Monte dei Paschi di Siena S.p.A. dispute before the Court of Florence

By means of a statement of claim dated 26 July 2016, the Bank was summoned to appear in proceedings, together with CONSOB, before the Court of Florence (Section Specialised in corporate matters) at a hearing dated 20 January 2017, in a claim seeking damages in the total amount of Euro 85.5 million due to alleged false information in prospectuses relating to capital increases for the Bank in the years 2008, 2011 and 2014, that the company participated in.

In particular adverse party sought damages in the amount of Euro 20.3 million relating to the 2008 capital increase and in the amount of Euro 9.2 million for the 2011 capital increase, due to contractual liability pursuant to section 1218 Italian Civil Code and pursuant to article 94 (8) of the Consolidated Finance Act or pursuant to section 2049 Italian Civil Code in relation to conduct by representatives and employees at that date and, again pursuant to section 1218 Italian Civil Code and pursuant to article 94 (8) Consolidated Finance Act, in the amount of Euro 56 million jointly – or subordinately each to the extent liable – with Consob, which is being sued in relation to sections 2043 and 2049 Italian Civil Code, for conduct by the Authority and its officers and functionaries, relating to the 2014 capital increase, all for capital losses incurred and loss of earnings in an amount to be established during proceedings.

(D) Banca Monte dei Paschi di Siena S.p.A. dispute before the Court of Florence

By means of a statement of claim dated 26 July 2016 the Bank was summonsed to appear in proceedings, together with CONSOB, before the Court of Florence (Section Specialised in corporate matters) at a hearing on 20 January 2017, in a claim seeking damages in the total amount of Euro 51.6 million due to alleged false information in prospectuses relating to capital increase for the Bank in the years 2008, 2011 and 2014, that the company participated in.

In particular adverse party sought damages in the amount of Euro 11.5 million relating to the 2008 capital increase and in the amount of Euro 6.1 million for the 2011 capital increase, due

to contractual liability pursuant to section 1218 Italian Civil Code and pursuant to article 94 (8) of the Consolidated Finance Act or pursuant to section 2049 Italian Civil Code in relation to conduct by representatives and employees at that date and, again pursuant to section 1218 Italian Civil Code and pursuant to article 94 (8) Consolidated Finance Act, in the amount of Euro 34 million jointly – or subordinately each to the extent liable – with Consob, which is being sued in relation to sections 2042 and 2049 Italian Civil Code, for conduct by the Authority and its officers and functionaries, relating to the 2014 capital increase, all for capital losses incurred and loss of earnings in an amount to be established during proceedings.

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At the Date of the Prospectus individual investors have also brought various claims, through consumer or legal associations (around 476 of which 69 intervened in proceedings brought by Marangoni Arnaldo indicated above) for a total of Euro 118 million in claims, where quantified, relating to alleged losses connected to the aforementioned events. These claims have predominantly been raised on behalf of individual savers by two professionals and Associazione Difesa Consumatori ed Utenti Bancari, Finanziari ed Assicurativi ("**ADUSBEF**") and were rejected since they were deemed generic, ungrounded, unsupported by documented evidence and in certain cases, statute-barred.

In light of the above, the amount of the residual *petitum* sought by the claimants which have not brought disputes before judicial authorities is equal to approximately Euro 48 million whereas the aggregate amount of the *petitum* relating to the pending litigations is equal to approximately Euro 279 million.

(F) Corporate liability actions filed by the Bank for restructuring of the Alexandria and Santorini transactions

On 1 March 2013, the Bank commenced two separate proceedings seeking damages before the Court of Florence (Section Specialised in business matters). In the first set of proceedings, in relation to the "Santorini" transaction, the Bank commenced a corporate liability action pursuant to art. 2393 and art. 2396 of the Italian Civil Code against its former General Manager, Antonio Vigni, and a damages action pursuant to art. 2043 of the Italian Civil Code against Deutsche Bank AG ("Deutsche Bank") for collusion in the breaches and/or wrongful acts attributable to Antonio Vigni. The claim brought by the Bank, subject to better detailling over the course of the lawsuit, amounts to not less than €500 million. The Bank has sought a joint order against defendants for an amount of no less than 500 million, further specified during proceedings.

In the second set of proceedings, in relation to the "Alexandria" transactions, the Bank commenced a corporate liability action pursuant to art. 2393 and art. 2396 of the Italian Civil Code against the former Chairman of the Board of Directors, Giuseppe Mussari, and the former General Manager, Antonio Vigni, and a damages action pursuant to art. 2043 of the Italian Civil Code against Nomura International Plc for collusion in breaches and/or wrongful acts attributable to the two above-mentioned former company executives. The claim brought by the Bank, subject to better detailling over the course of the lawsuit, amounts to not less than €700 million. The Bank has sought a joint order against defendants for an amount of no less than 700 million, further specified during proceedings.

The corporate liability actions which were initially authorised by the Board of Directors on 28 February 2013 were later ratified by the Bank's shareholders' meeting held on 29 April 2013.

In these proceedings, the Bank is pursuing the two investment banks for non-contractual liability. The Bank is also pursuing opportunities to settle both with the investment banks and with the former officers of the Bank who were complicit in the aforementioned transactions. The two investment banks are being pursued on the basis of complicity in obstruction and/or offenses attributable to the aforementioned officers of the Bank.

It should be noted that the Bank, in its briefs introducing the proceedings in question, expressly reserved the right to claim, in separate proceedings, the possible invalidity of the contracts underlying the contested financial transactions, including upon the conclusion of the verifications in progress and the developments in the investigations by the court conducting the investigations.

Fondazione MPS, CODACONS and ADUSBEF took part in both proceedings in support of the claims raised by the Bank.

As for the action commenced by BMPS against Antonio Vigni and Deutsche Bank, on 19 December 2013 a settlement agreement was reached between the Bank and Deutsche Bank also concerning, inter alia, such damages claim. In particular, such agreement is limited to the internal portion of liability attributable to Deutsche Bank.

The liability action commenced against Antonio Vigni, and all other claims raised by BMPS against other jointly liable persons/parties with reference to the "Santorini" transaction remained pending. Such latter proceedings were concluded, in the first instance, with a judgment ordering Antonio Vigni to pay compensation for economic damages to the Bank. The term for any appeal against the decision by Mr Vigni is currently pending.

The Bank requested the suspension of those proceedings due to the risk of a partial overlap with proceedings previously commenced in Italy which, by admission of Nomura, were commenced earlier than the English proceedings.

The *Commercial Court* did not uphold that motion and the proceedings therefore continued. The Bank entered an appearance in proceedings on 12 March 2014 claiming invalidity of the agreements relating to transactions connected to restructuring of the "Alexandria" notes and seeking full restitution of sums paid in performance of those agreements.

It should be noted that Nomura, as of the same date of 1 March 2013 – but after the commencement of the above-described corporate liability and damages action by the Bank before the Court of Florence – had commenced an action for determination before the English Commercial Court in order to obtain the recognition, *inter alia*, of the validity of the agreements related to the restructuring of the "Alexandria" notes and the lack of Nomura's liability under the contracts and the absence of unjust enrichment.

It should be noted that in the context of the settlement concerning the Alexandria transaction which took place on 23 September 2015, the damages claim brought in March 2013 against Nomura before the Court of Florence with reference to the same transaction was resolved by way of a settlement. Such settlement refers moreover to solely Nomura's portion of liability, leaving intact the corporate liability action against the former Chairman and former General

Manager, without prejudice to any other claim by BMPS against other persons, outside of Nomura, who may be jointly liable with reference to the Alexandria transaction. The settlement agreement concluded the proceedings commenced by Nomura before the English court. For further details on the settlement concerning the transaction, see the press release published by the Issuer on 23 September 2015 and available on the website www.mps.it.

The liability action therefore continues against the former Chairman (who summonsed Mr Baldassarri to proceedings) and the former General Manager. Nomura is still a party to proceedings on the basis of hold harmless claims from the former Chairman. The case is currently pending a decision on motions for evidence raised by the parties.

In addition to a supporting joinder to actions brought by the Bank, the MPS Foundation commenced two separate proceedings, on the one hand against the attorney Mr Mussari, Mr Vigni and Nomura and on the other hand against Mr Vigni and Deutsche Bank, in both cases claiming alleged liability on the part of defendants pursuant to section 2395 Italian Civil Code for direct damages allegedly incurred by the MPS Foundation, for having subscribed the BMPS capital increase approved in 2011 at a price different from the price that would have been correct had the restructurings of "Alexandria" and "Santorini" respectively been duly represented in the BMPS financial statements.

In the context of proceedings brought by the MPS Foundation relating to the "Santorini" transaction (in the context of which the Foundation sought an order for defendants to compensate an amount of Euro 333.6 million in the form of financial damages and Euro 47.5 million in the form of non-financial damages) Mr Vigni has been authorised to summons the Bank to proceedings in relation to a hold harmless commitment (with respect to third party claims) allegedly undertaken by the Bank with respect to Mr Vigni in the context of the agreement for the consensual termination of his management post. The Bank, on entering an appearance in proceedings to dispute the claims raised against it, preliminarily pleaded a lack of jurisdiction on the part of the Court of Florence, believing the Court of Siena to have jurisdiction as the applicable labour court. Mr Vigni accepted that plea and therefore discontinued proceedings against the Bank. The Judge therefore declared the proceedings between Mr Vigni and the Bank to be extinguished. As far as the Bank is aware, the proceedings are currently pending between the MPS Foundation and defendants.

With respect to the proceedings brought by the MPS Foundation and relating to the "Alexandria" transaction (in the context of which the Foundation sought an order for defendants to compensate an amount of Euro 26.8 million in the form of financial damages and of Euro 46.4 million in the form of non-financial damages): (i) Mr Vigni was authorised to bring an action against the Bank in relation to the cited hold harmless commitment (with respect to third party claims) allegedly undertaken by the Bank in his regard in the context of the agreement for the consensual termination of his managerial post; (ii) Mr Mussari was authorised to bring an action against the Bank as a liable party pursuant to section 2049 Italian Civil Code, for actions by certain managers allegedly responsible for the realisation of the transaction with Nomura. The Bank received the statements of claim in its capacity as a third party summonsed by the aforementioned defendants in the proceedings independently brought by the MPS Foundation and entered an appearance disputing the claims against it. In this case also, Mr Vigni waived the proceedings against the Bank as a result of the plea regarding lack of jurisdiction on the part of the Court of Florence, whilst the action for recovery/hold harmless by Mr Mussari against the Bank has continued. At the date of the Prospectus the case is pending a decision on motions for evidence by the parties.

(F) Recourse actions

As mentioned above, once the payment of the administrative sanctions imposed by the Supervisory Authorities had been made, the Bank commenced the mandatory actions for recourse against the sanctioned persons, granting the suspension of such action against persons for whom (i) with regard to the irregularities alleged, no conduct characterised by wilful misconduct or gross negligence can be found; (ii) no corporate liability action has been commenced; and (iii) no indictments have been issued in the context of the related criminal proceedings pending; the foregoing applies solely for the period of time necessary for the completion of all appeals envisaged under the applicable legal framework in force. Certain of the persons in question, following the letters of commencement of formal default procedures sent, have not made the payment and, therefore, it has been necessary to commence civil actions aimed at recovering the sums paid.

No assurances can be given on the outcome of such actions which could also be met with opposition by the persons sanctions, aimed at suspending the recovery actions, in order to allow them to complete the appeals against the sanctions rulings available by law. Such activities could affect the duration of the proceedings and reduce the possibilities of recovering the receivables owed.

The Bank, in the presence of conduct on the part of the management in office at the time of the facts relevant also from a criminal law standpoint and in the context of any actions already commenced, is also evaluating the possibility of entering an appearance as civil party in the criminal proceedings for purposes of obtaining restitution and/or compensation (in accordance with art. 185 and art. 187 of the Italian Penal Code).

In particular, the Bank has entered an appearance as civil party in the criminal proceeding pending before the Court of Milan in which the proceedings relating to Nomura, "Fresh 2008", "Santorini", "Alexandria" and "Chianti Classico" transactions were joined (see, paragraphs above on these matters) – against Vigni, Mussari, Pirondini e Baldassarri in order to seek compensation for financial and non-financial damages. In this proceeding on 1 October 2016 a judicial decree about committal for trial before the Court of Milan (Penal Second Section) was issued by fixing a hearing on 15 December 2016.

Dispute Arising in the Ordinary Course of the Bank's Operations

Over the course of its ordinary business operations, the Group, as is the case at other banking groups, is involved in various legal proceedings concerning, *inter alia*, complaints regarding: clawback actions, compound interest, placement of debt securities issued by countries and companies which then defaulted, placement of financial plans and products.

With regard to litigation on clawback actions in bankruptcy, it should be noted that the reform implented since 2005 had reduced and circumscribed the scope of bankruptcy clawback disputes, especially those concerning remittances to bank accounts. With respect to those claims which may still be raised- or are already pending as of the date of entry into force of the reform – the Bank takes advantage of all arguments available to defend its position.

With respect to the litigation concerning compound interest, interest and conditions, starting from 1999 there has been a gradual rise in lawsuits brought by account holders for the restitution of interest paid as a result of quarterly compound interest. In the context of such

lawsuits, the plaintiffs also contest the lawfulness of the interest rate and the method of calculating the fees applied to the relationships. In this latter respect, the interpretation introduced starting from 2010 on the matter of usury by the Supreme Court (on the basis of which the maximum overdraft fees (*commissione di massimo scoperto*), even prior to the entry into force of Law No. 2/2009, should have been taken into account, contrary to the indications provided by Bank of Italy, in the calculation of the actual overall interest rate (*tasso effettivo globale* or TEG)) often constitutes the starting point for lawsuits attempted by customers. The main subject matter of the alleged complaint consists of bank account balances, but increasingly frequently also compound interest complaints, referring to the lawfulness of the so-called "French amortisation" in mortgage loans, and the breach of Law No. 108/1996 on the matter of usury, with respect to loans at maturity.

As stated above, on the basis of estimates made on the risk of defeat in the above-mentioned proceedings, provisions have been set aside covering legal disputes as part of the total fund for risks and costs.

Civil proceedings

Set forth below are the most important proceedings in terms of amounts at stake (exceeding €50 million) and the status of the same as of the date of the Prospectus.

With regard to compounding interest, the recent reform of article 120 of the Consolidated Banking Act, as amended formerly by Law no. 147 of 27 December 2013 and subsequently by Law no. 49 of 8 April 2016, introduced significant novelties regarding the calculation of interest and a prohibition on its capitalisation. Differences in interpretation that have emerged regarding the effective date of the new article 120 of the Consolidated Banking Act (1 January 2014 according to certain interpreters; from the date established by the CICR implementation resolution – or 1 October 2016 – according to others), led the Bank, which believes the second hypothesis to be more correct, to set aside funds for any possible litigation.

(A) Civil lawsuit commenced before the Court of Milan

The lawsuit, commenced by the Extraordinary Administration of SNIA S.p.A against the former Directors and Statutory Auditors and the shareholders (both direct and indirect) of the same company (including BMPS), seeks a finding of liability on the part of the defendants, in various capacities, for the damages initially not quantified allegedly caused to the company. The claim is based upon intricate and complex corporate matters which concerned the company over the decade 1999-2009 which, as regards the Bank's position and that of other defendants, revolve around the company's demerger in 2003. The damages claims, which originally could not be determined, at the time of the statement of the claims was (partially) quantified, against the Bank and other defendants, in the amount of €572 million while the additional damages allegedly suffered remain indeterminate.

During proceedings, in support of claims by plaintiff (relating to alleged environmental damages) the Ministry of the Environment and the Protection of the Territory and the Sea intervened together with the Ministry of Economy and Finance.

In decision no. 1795/2016, 10 February 2016 the Court of Milan declared – amongst other things – the admissibility of interventions by the Ministry of the Environment and the

Ministry of Economy and rejected claims by the Extraordinary Administration of SNIA S.p.A. against the various defendants, including BMPS, ordering the plaintiff to pay costs.

By two separate appellate briefs, the Extraordinary Administration, on the one hand, and the Ministry of the Environment, Protection of the Territory and the Sea and the MEF (who intervened in the proceedings of first instance), on the other one, raised an appeal before the Milan Court of Appeals.

(B) Civil lawsuit commenced before the Court of Salerno

In the context of this lawsuit, in which BMPS is summoned as defendant together with other lending institutions and companies, the plaintiff seeks a finding of damages allegedly suffered by it as a result of an allegedly illegitimate report to the Italian Central Credit Register. The lawsuit is currently in the investigation phase an the amount at stake totals €157 million.

(C) Civil lawsuit commenced before the Court of Brescia

This lawsuit concerns a claim seeking compensation for damages submitted by the bankruptcy trustee of a company due to the conclusion of certain banking transactions in the context of the capital increase of the company which later became bankrupt. A hearing for the statement of conclusions has been scheduled for 2 February 2017. The amount at stake totals € 155 million.

(D) Arbitration brought before the Arbitration Chamber of Milan

The arbitration in question concerns a request for indemnity resulting from alleged irregularities or documentary gaps related to receivables originated and assigned by the Bank to the plaintiff company. The Arbitration Chamber's jurisdiction derives from a cause set forth in the sale agreements. The final defensive briefs have been filed and the amount at stake totals € 100 million.

(E) Civil lawsuit commenced before the Court of Palmi

In the context of this lawsuit, in which BMPS is summoned as defendant together with other lending institutions, the plaintiff seeks a finding of alleged damages suffered due to a charge of allegedly usurious interest. The lawsuit is in the discovery phase and the amount at stake totals €100 million.

(F) Civil lawsuit commenced before the Court of Naples – section specialised in business matters

The proceedings in question were brought by the bankruptcy trustee of a company against the former directors and statutory auditors of the company which later became bankrupt and against the Bank along with other lending institutions for compensation for alleged damages, quantified as the difference between the liabilities and assets of the bankrupt procedure deriving from, *inter alia*, a pool loan disbursed by lending institutions which allegedly delayed the emergence of the state of insolvency of the company which later went bankrupt, worsening its financial difficulties. The proceedings are in the investigation phase and the amount at stake totals € 90 million.

(G) Civil lawsuit commenced before the Court of Reggio Emilia

This lawsuit was commenced by several parties, and the Bank was summoned as defendant together with another party. The plaintiff companies and their directors have filed the lawsuit before the Court seeking compensation for damages allegedly suffered due to the anomalous and illegitimate management of the request for financing submitted to the Bank which allegedly led to the insolvency of the enterprises. The proceedings have been held for decision and the amount at stake totals €62 million.

(H) Actions commenced before the Court of Ancona

Reference is made to two clawback actions in bankruptcy commenced on a principal basis pursuant to art. 67 first paragraph, no. 2 of the Bankruptcy Law and on a subordinated basis pursuant to art. 67 second paragraph of the Bankruptcy Law, pertaining to the use of a bank account related to portfolio divestment transactions. The amount at stake amounts to a total of €82 million. One lawsuit is in the investigation phase and the other, which has an amount at stake of approximately €54 million, was recently decided through a judgment which rejected the administration claim, ordering the latter to reimburse expenses. The administration have filed an appeal. Negotiations aimed at reaching a settlement agreement are in progress and have reached an advanced stage.

(I) Civil lawsuit commenced before the Court of Rome

In this lawsuit, in which BMPS is summoned as defendant together with other lending institutions and companies, the plaintiff seeks a finding of alleged damages suffered due to transactions involving advances on foreign currency. The amount at stake totals €51 million. By decision no. 17574/16 the Court of Rome rejected the plaintiff's claims and granted the Bank's cross-claim by sentencing the counterparty to pay approximately Euro 1.6 million.

(J) Action commenced by the extraordinary administration of a cooperative company before the Court of Ferrara

This lawsuit involves a clawback claim in bankruptcy brought pursuant to art. 67, second paragraph of the Bankruptcy Law against the Bank and pertaining to certain remittances to a bank account. While the original amount at stake totals €52 million, the Court partially granted the claim for €8 million. An appeal was commenced by a counterparty and an incidental appeal was commenced by the Bank. The parties have currently reached a settlement for the sake of the proceeding resolution. The proceeding has been adjourned to 21 February 2017 for the finalisation of the settlement.

(K) Action commenced before the Court of Rome

This is a civil lawsuit commenced by the bodies of an extraordinary administration against the directors and statutory auditors of the same company in good standing and against the auditing firm and other banks belonging to the banking pool. The plaintiff requests compensation for alleged damages deriving from pool restructuring and refinancing activities. The proceedings were declared interrupted at the hearing on 30 June 2015 due to the death of one of the defendants, and were subsequently reprised. Formalisation of a settlement agreement with adverse party is currently in progress, providing, amongst other things, for abandonment of the proceedings by the Procedure. The overall claim against the various defendants is equal to around Euro 323 million.

(L) Claim commenced before the Regional Administrative Court of Lazio

This is a claim commenced by consumer associations and consumers also against the Bank before the Regional Administrative Court (TAR) of Lazio seeking the cancellation of the deeds related to the procedure of issuance of the New Financial Instruments. The TAR of Lazio and the Council of State rejected all requests for precautionary injunctions submitted by the plaintiffs. At the council chamber held on 3 April 2013, the TAR of Lazio ordered the postponement of the hearing to a future date to be determined.

At present the CODACONS action appears to be substantially overcome, since the procedure for the issue of New Financial Instruments has not only been broadly completed with respect to all administrative phases, rather full repayment of the instruments has also been concluded and settled in the amount of a) Euro 3,000 million at 1 July 2014 and b) Euro 1,071 million at 15 June 2015, and therefore it is possible to hold, non-technically, that the disputed matter has ceased to exist. Moreover, the matter is devoid of any grounds with respect to compensation/restitution since there is no damage incurred by consumers, which the Association is protecting, nor is there the necessary capacity to sue on the part of the latter. In this second regard, the action by CODACONS in administrative proceedings is devoid of any economic content.

The risk of loss appears remote.

The amount at stake totals € 3.9 billion, since the counterparties, in addition to the cancellation of the deeds related to the procedure of issuance of the New Financial Instruments in the amount of € 3.9 billion, are also seeking compensation for damages in the same amount.

(M) Arbitral proceedings before the Arbitration Chamber of Milan

On October 2, 2014, Fondazione Banca Agricola Mantovana ("**BAM Foundation**") filed an arbitration proceeding before the Milan Arbitration Chamber against the Bank in relation to certain agreements which had been entered into between the Bank and Banca Agricola Mantovana S.p.A. ("**BAM**"), and which led to the Bank's acquisition of BAM, which was subsequently merged into the Bank. The BAM Foundation now seeks to have the Bank pay, on an annual basis, a compensation payment to BAM, basing such claim on the abovementioned agreements as well as on a provision in BAM's articles of association which provides for a yearly contribution to the BAM Foundation. As a result of the proceeding, the Bank could be ordered to pay €2.132 million in favor of the BAM Foundation, as a one-time compensation for the contributions which have accrued and have not been paid (or paid only in part) in the previous years, and to pay €1.033 million every year to the BAM Foundation until it is dissolved. A settlement agreement is in the process of being formalised.

(N) Civil lawsuit commenced before the Court of Palermo

A company operating in the tax collection sector, by a complaint dated 15 July 2016, commenced legal action against the Bank seeking a court ruling ordering the latter to pay €106.8 million (the amount at stake).

The company's claim is part of the complex relationships between the Bank and the plaintiff which arose from the sale (in accordance with Law No. 248/2005) of the shareholding already held by the Bank in another company operating in the tax collection sector. The

plaintiff seeks a court ruling of contractual liability on the part of the Bank due to certain alleged contingent liabilities. The lawsuit is in its initial phase. The total claim amounts to Euro 106.8 million.

Money laundering claims

Over the course of year 2015, upon the Bank's action, a number of judicial proceedings are pending concerning the application of the anti-money laundering legal framework, for a total of 8 proceedings.

Reference is made to proceedings commenced before the ordinary courts by BMPS as appeals against the same number of sanctions rulings issued by the MEF, through which a monetary administrative sanction against the Bank's employees who were considered responsible for the breach was imposed upon the Bank (which is jointly liable for the payment together with the persons responsible for the breach) for the failure to fulfil the obligation to report suspicious transactions to the relevant authorities, in accordance with the anti-money laundering legal framework in force from time to time.

The Bank's defence is focused on illustrating the impossibility of detecting, at the time of the events, elements denoting the suspicious nature of the transaction(s) forming the subject matter of the MEF's complaint which, generally speaking, were discovered following investigations conducted by the Tax Police or the Judicial Authority.

The grant of the Bank's opposition would give rise to the cancellation by the Court seized of the matter of the sanctions ruling imposed by the MEF, for which, while the lawsuit is pending, the suspension of the payment can be obtained.

Labor disputes

The Bank is party to various legal proceedings involving labour law matters concerning, in particular, oppositions to individual and collective dismissals, requests for the finding of indefinite term subordinated employment relationships, compensation for damages from demotions, requests for more senior level employment classification and various claims of an economic nature.

In order to also cover the costs related to these proceedings, provisions have been set aside, on the basis of an internal assessment of the potential risk. The provisions set aside by the Bank in connection with this type of litigation are included in the fund for risks and costs which, as of 30 June 2016, amounts to approximately € 54.9 million on an individual basis.

In any case, the Bank is of the view that any liabilities that may arise as a result of the labour law disputes pending would not have a material effect on its balance sheet.

It is worth to notice that, following the transfer of the back office business unit to Fruendo in January 2014, involving 1,064 resources, 634 workers (later reduced to 600 due to waivers and deaths) initiated legal proceedings before the Courts of Siena, Rome, Mantua and Lecce to demand the continuation of the employment relationship with the Bank, upon the declaration of ineffectiveness of the transfer agreement entered into with Fruendo.

As at the date of this Prospectus, of the 600 plaintiffs, a first instance ruling has already been handed down for 496 (245 at the Court of Siena, 144 at the Court of Rome, 89 at the Court ofMantua and 18 at the Court of Lecce) after a hearing on the full merits.

As things currently stand, 395 workers are entitled to be rehired (i.e., the plaintiffs in the cases at the Court of Siena and the Court of Rome, limited, for the latter, to the cases decided in favour of the plaintiffs).

The decision of the Court of Siena has alredy been appealed before the Florence Court of Appeal, and the relative hearings for the initial discussion of the case have been scheduled in the period between June and October 2016.

The Bank appealled before the Florence Court of Appeal the unfavourable rulings handed down by the Court of Rome.

For their part, the workers who were unsuccessful in the case decided by the Court of Rome filed an appeal and relative hearing has been set for December 2016.

As a result, while the current situation remains unchanged, no economic impact on the Bank is forecast. Indeed, as the Fruendo employees retained the pay they had been receiving from the Bank when the business unit was transferred, they would not be due any back pay if the unfavourable rulings (for the Bank) were to be enforced.

Given the above, the Bank, jointly with Fruendo, is analysing the matters arising from the rulings of the Court of Siena, the Court of Lecce and the Court of Rome in order to identify the best solutions.

Complaint to Board of Statutory Auditors pursuant to section 2408 Italian Civil Code

During the shareholders' meeting on 29 April 2014 the shareholder Paolo Emilio Falaschi – despite not holding the number of shares necessary to commence this action – intervened in the meeting expressly requesting an intervention by the Board of Statutory Auditors, pursuant to section 2403 Italian Civil Code, ("Duties of the Board of Statutory Auditors") as well as with reference to section 2406 Italian Civil Code ("Omissions by directors") and section 2408 Italian Civil Code ("Complaint to Board of Statutory Auditors") regarding failure to bring legal action to protect the shareholders, also for the purposes of compensation, against the Italian Government, the Supervisory Authorities and all individuals possibly involved due to liability connected to authorisation for and completion of the acquisition of Banca Antonveneta. In the context of the extraordinary shareholders' meeting on 21 May 2014, the Chairman of the Board of Statutory Auditors formulated his observations in this regard, which are annexed to the meeting minutes.

On 22 February 2016 the Board of Statutory Auditors received a complaint pursuant to section 2408 Italian Civil Code, forwarded by the Associazione Buon Governo, comprising small shareholders of the Bank, and concerning an alleged connection between the current amount of non-performing loans and "poor management" of the lending process. The Board however held that in consideration of the results of various reviews conducted by the ECB in the context of the AQR and SREP proceedings, there are no aspects that can confirm allegations by those who raised the complaint. This complaint is mentioned in the Report of the Board of Statutory Auditors included with the Financial Statements at 31 December 2015.

During the financial year closed at 31 December 2015 and up to the date of the Prospectus the Board of Statutory Auditors has received certain complaints, in respect of which it has verified the grounds of observations received, where necessary promoting the removal of any causes resulting in those complaints.

For completeness, investors should note that at the date of the Prospectus, there are a further two complaints in respect of which the investigation phase is currently under completion.

Sanctions proceedings

Bank of Italy

(A) Sanctions proceedings on anti-money laundering and on the transparency of banking and financial transactions and services

Following the in-depth verifications conducted by Bank of Italy over the period September 2012 – January 2013, in April 2013, the Supervisory Authority commenced sanctions proceedings against the members of the Board of Directors and the Board of Auditors in office during the period in question, several officers of the company and BMPS, as the jointly liable party, due to irregularities discovered concerning the transparency of banking and financial transactions and services and the fairness in relationships between intermediaries and customers (art. 53, first paragraph, letters b) and d), art. 67, first paragraph, letters b) and d), of the Italian Consolidated Banking Law and related implementing provisions), in particular with reference to procedures for repricing receivables and the definition of fee structures following the elimination of the maximum overdraft fees (*commissione di massimo scoperto*) charge for credit lines and overdrafts. In addition, sanctions proceedings were commenced against BMPS for irregularities on anti-money laundering and, in particular, for the lack of customer due diligence.

With reference to the sanctions proceedings concerning anti-money laundering, Bank of Italy has considered the proceedings concluded, and has not moved forward with the sanctioning process.

In relation to transparency of banking and financial transactions and services, Bank of Italy imposed sanctions upon the former General Manager of BMPS and the Head of Compliance in the total amount of € 130,000. The Bank has not commenced appeals against the ruling and paid the sanctions in its capacity as jointly liable party. The head of the compliance function commenced an appeal against the ruling before the Regional Administrative Court of Lazio. On 26 February 2016, the Bank commenced an action for recourse before the Court of Siena against its former General Manager Dr. Antonio Vigni. The proceeding is still pending.

(B) Bank of Italy sanctions proceedings concerning erroneous reporting on treasury securities

In December 2012, Bank of Italy commenced sanctions proceedings in relation to erroneous reporting on treasury securities included within the portfolio for year 2011; the procedure was commenced against the Directors, Statutory Auditors and the General Manager of BMPS in office as of 30 June 2011. So far, no sanctioning rulings have been issued against the Issuer.

CONSOB

(C) CONSOB sanctions proceedings due to failure to comply with provisions on the offering of financial instruments to the public and provisions on the performance of investment services

Following the inspections conducted over the course of 2012, CONSOB announced on 19 April 2013 the opening of two proceedings concerning the failure to comply with (1) the

provisions on the offering of financial instruments to the public (art. 95, paragraph 1, letter c) of the Consolidated Finance Act and art. 34-*decies* of CONSOB Regulation No. 11971 of May 14, 1999) concerning the conduct of the public offering of the product "Casaforte classe A", referring to "Chianti Classico" transaction, and (2) provisions concerning the performance of investment services (art. 21, paragraph 1, letter a) and d), and paragraph 1-bis, letter a) of the Consolidated Finance Act; art. 15, 23 and 25 e of the Joint Bank of Italy/CONSOB Regulation of 29 October 2007; art. 39 and 40 of CONSOB Regulation No. 16190 of 29 October 2007; art. 8, paragraph 1 of the Consolidated Finance Act). In particular, allegations were formulated concerning: (i) irregularities related to the conflicts of interest rules; (ii) irregularities related to the assessment of the adequacy of transactions; (iii) irregularities concerning the procedures for pricing of products issued by the Bank itself; and (iv) reporting of untruthful or partial data and information.

The breaches of the regulatory provisions were alleged by CONSOB mainly against members of the Board of Directors and the Board of Auditors in office at the time of the facts in question, as well as company managers.

The Bank, as the party jointly liable for the payment of the sanctions in accordance with art. 195, paragraph 9, of the Consolidated Finance Act, took part in the various phases of the proceedings, and sent to the Supervisory Authority specific defensive arguments on the individual allegations formulated.

In relation to the first proceedings referred to in point (1), through resolution no. 18850 dated 2 April 2014, CONSOB concluded the same, imposing monetary administrative sanctions totalling € 43,000, against the General Manager in office at such time and a number of persons in charge of the Issuer's company structures and found that no breach had been committed by the members of the Board of Directors or the Board of Auditors in office at the time of the facts. The ruling was not appealed by the Bank.

In relation to the second proceedings referred to in point (2), through resolution no. 18856 dated 9 April 2014, CONSOB concluded the same, imposing monetary administrative sanctions totalling € 2,395,000 against executives and persons on charge of the Bank's company structures. The ruling was challenged by the Bank before the Court of Appeals of Florence.

Both rulings were served upon the Bank as jointly liable party, and the total amount of the sanctions was paid by the same in consideration of its joint liability under art. 195, paragraph 9, of the Consolidated Finance Act.

The Bank has started the preparatory activities for the exercise of the actions for recourse within the applicable terms provided by law, and is assessing the commencement of the same in relation to the completion of the appeals proposed by the individual persons sanctioned against the rulings and also in relation to the position of the individuals with respect to whom wilful misconduct or gross negligence may be found, a corporate liability action has been commenced, requests for indictment have been issued in the context of criminal proceedings or significant legal proceedings are pending.

Privacy

In July 2013, the Tax Police (*Guardia di Finanza*), Lieutenancy of Sant'Angelo dei Lombardi, served upon BMPS a formal notice of allegation for the alleged breach of art. 162

and 162, paragraph 2-*bis*, of Legislative Decree No. 196/2003 related to the Code concerning the protection of personal data, seeking payment of a penalty in a reduced amount equal to Euro 1,120,000 in the first case and Euro 128,000 in the second case; the allegation was made by the Bank in its capacity as "owner" of the processing of personal data carried out in the context of activities carried out by a former financial advisor, against whom criminal proceedings are pending for unlawful acts alleged during such activities, and also as jointly liable party. BMPS has requested the Privacy Authority (*Garante per la protezione dei dati personali*) to abandon the proceedigs since the facts alleged were to be considered attributable solely to the personal responsibility of the financial advisor, without any involvement whatsoever on the part of the Bank in any respect. As of the date of this Prospectus, the proceedings are still pending.

The Tax police, Tenenza di Molfetta, notified the Bank in May 2015 with formal notice relating to an alleged violation of articles 33 and 162 (2-bis) of Legislative Decree no. 196, 30 June 2003. The administrative violation the subject-matter of proceedings provides for a maximum penalty of Euro 240,000. The penalty was notified to the Bank in its capacity as a joint obligor for actions by an employee, who was charged with having carried out personal data processing for a customer, omitting to follow the security measures provided by article 33 of Legislative Decree no. 196, 30 June 2003. At the date of the Prospectus, the proceeding is still pending.

Legal proceedings pursuant to Legislative Decree 231/2001

As part of the proceedings commenced by the Prosecutor's Office of the Court of Forlì against various individuals and three legal entities for the criminal offences of money laundering and obstruction of the regulatory authority's activities, three administrative offences deriving from criminal offences have been alleged against the Bank: obstruction of the exercise of the public regulatory authorities' functions within the meaning set forth in art. 2638 of the Italian Civil Code, money laundering within the meaning set forth in art. 648-*bis* of the Italian Penal Code and conspiracy (art. 416 of the Italian Penal Code) of a cross-border nature.

In particular, the Prosecutor is of the view that employees of the Bank's Forlì Branch, who are subject to guidance and oversight by top level executives at the Bank, have committed, in the entity's interest and for its benefit, the above-mentioned criminal offences.

According to the prosecutor's theory, the commission of such offences was made possible by the failure to fulfil duties of guidance and oversight in relation to the Bank's adoption and effective implementation, prior to the commission of the above-mentioned offences, of an Organisation, Management and Control Model capable of preventing criminal offences of the type that occurred.

BMPS' activity, forming the subject matter of the complaint which occurred over the period 2005/2008, pertains to the dealings carried out for some time by its Forlì Branch, on behalf of Cassa di Risparmio di S. Marino, through a management account opened in in the Issuer's name with Bank of Italy.

Cassa di Risparmio di S. Marino, in consideration of its particular location in the territory of the Republic of S. Marino, had requested BMPS' Forlì Branch to use the account in question to satisfy its treasury requirements through cash payment/withdrawal transactions at the relevant Bank of Italy branch.

The dealings in question, which involved considerable cash transfers, and the anomalies alleged by the Judicial Authority concerning the registration in the Single Electronic Database (*Archivio Unico Informatico* or AUI) of the relevant transactions which, at the time, also in consideration of a non-uniform legal framework concerning the relationships between Italy and the Republic of S. Marino, had led BMPS to consider Cassa di Risparmio di S. Marino as a "qualified intermediary", constituted the basis for the breaches alleged against the Bank.

According to the Judicial Authority, the dealings in question were carried out so as to hinder the identification of the criminal origin of the funds, as well as the traceability of all of the transactions involving the concealed exchange of unlawful funds.

In particular, the employees of the Forlì Branch were accused of collusion in the criminal offence of obstruction of the exercise of public regulatory authorities' functions, money laundering, breach of the Italian legal framework on anti-money laundering and conspiracy in relation to the cross-border criminal offence referred to in Law No. 146/2006, the commission of which is assumed to have been made possible by the Bank's failure to fulfil duties of oversight and guidance consisting in the alleged absence of a suitable and effective Organisation, Management and Control Model.

The conduct engaged in by the employees, according to assertions made by the Judicial Authority, allegedly allowed for the concealment of the perpetration of criminal offences of money laundering, the failure to gather accurate information on the actual customers ordering such transactions, or on the true characteristics, purpose and nature of the related accounting movements, also impacting registrations in the AUI. The Bank's defence in such proceedings is focused on proving the inexistence, as to their merits, of the facts of the alleged criminal offence on the basis of the complaint raised against it and showing that it had adopted and effectively implemented, at the time of the facts in question, an Organisation, Management and Control Model capable of preventing criminal offences of the type that occurred.

The Judge presiding over the Preliminary Hearing at the Court of Forlì ordered the indictment of the defendants (including BMPS with regard to aspects pertaining to administrative liability of entities).

Subsequently, the Court of Forlì, at the hearing held on 12 February 2015, after examining the numerous preliminary objections raised by the defence counsel of the indicted parties, declared its lack of jurisdiction over the trial in question, and found that Court of Rimini had jurisdiction with regard to matters concerning the Bank.

The above-mentioned Court, through a ruling dated 3 March 2015, raised on this point the issue of negative conflict of territorial jurisdiction, submitting to the Supreme Court the records necessary for a decision identifying which Court has jurisdiction to decide the proceedings with regard to the identification of the Court having jurisdiction over the confirmation of the precautionary measures issued against certain of the defendants. The Court of Cassation found that, with respect to matters concerning the confirmation of the precautionary measures submitted to it for its review, the records of the proceedings must be sent back to the competent Court of Forlì. The Judge presiding over the Preliminary Hearing of the Court of Rimini, given the need to determine the proper forum for the continuation of the trial, at the preliminary hearing held on 28 April 2016, declined its territorial jurisdiction to decide on the merits of the proceedings, in favour of the Court of Forlì, further ordering, given the prior conclusion reached by such latter Court, the submission of the records to the

Court of Cassation for resolution of the negative conflict of jurisdiction. The parties await the scheduling of the hearing before the Court of Cassation for the resolution of the conflict and, therefore, the identification of which Judge has jurisdiction over the trial.

Litigation with CODACONS

(A) Legal action commenced by BMPS before the Court of Rome

By a complaint served on 5 March 2014, BMPS commenced before the Court of Rome civil proceedings against CODACONS, its legal representative, and an external advisor outside the association seeking a court judgment ordering, on a joint basis, the payment of compensation for damages suffered and damages that continue to be suffered by the Bank as a result of various actions that unjustly harmed the Bank's reputation. In particular, the illegitimate actions forming the basis of the legal action include the dissemination by CODACONS of multiple press releases starting at the beginning of 2013 in which an erroneous accounting treatment of the "Santorini" and "Alexandria" transactions are attributed to the Bank, as well as the illegitimate use of the procedure for State aid disbursed through the so-called "Monti-bond". The damages were quantified in the amount of € 25 million by way of economic damages and € 5 million by way of non-economic damages. The first hearing, scheduled for 20 November 2014 in the complaint, was postponed by the court until 14 January 2015. The defendants entered their appearance in the proceedings, also submitting claims for compensation of damages, quantified by one of the defendants, in the amount of approximately € 23 million and alleging the existence of an alleged conflict of interest in the commencement of the proceedings, of such a nature as to justify a request for the appointment of a special trustee in accordance with article 78 of the Italian Code of Civil Procedure. The Judge scheduled the next hearing on 20 September 2016 and, following a rectification, on 20 September 2017.

(B) Legal action commenced by CODACONS *before the Regional Administrative Court of Lazio*

CODACONS, through an appeal pursuant to art. 117 of Legislative Decree No. 104/2010 dated 29 May-3 June 2015 against CONSOB and BMPS, requested the Regional Administrative Court (TAR) of Lazio to cancel resolutions no. 0040843 dated 20 May 2015 and no. 0041466 dated 22 May 2015 through which CONSOB approved the prospectus (and related supplement) for BMPS' capital increase and formulated a series of additional requests aimed at preventing CONSOB from proceeding with the authorisation of the capital increase approved by resolution; on a precautionary basis, the appellant also requested the adoption of measures decided by a single judge pursuant to art. 56 of the above-mentioned Legislative Decree No. 104/2010 in order to obtain the cessation of the acts that allegedly harm the interests of retail investors and shareholders. The initiative is based upon the alleged insufficient review – according to the appellant – conducted by CONSOB on the transaction with the counterparty Nomura and the related legal matters. The Bank entered its appearance in the proceedings, stating appropriate defences and requesting the rejection of all of CODACONS' claims and requests. CONSOB took similar actions.

By ruling no. 2520/15, the Tribunal rejected the requests for precautionary injunctions. CODACONS appealed the precautionary ruling rendered by the TAR before the Council of State. The Bank entered its appearance in support of the ruling issued by the TAR.

By judgment no. 8750/15, the TAR rejected CODACONS' appeal, ordering it to pay litigation expenses. On 1 July 2015, the Council of State rejected the request for precautionary injunctions and on postponed the hearing to 3 March 2016 for discussions. By a judgment dated 21 July 2016, the Council of State rejected the appeal and ordered CODACONS to pay the relevant litigation expenses.

Proceedings I794 commenced by the Italian Competition Authority (Autorità Garante della Concorrenza e del Mercato -AGCM) – Remuneration of the SEDA service

By a ruling dated 21 January 2016, AGCM opened proceeding I794 against ABI in connection with the remuneration of the SEDA service. Such proceedings were later extended (through a ruling dated 13 April 2016) to the eleven main Italian Banks, including BMPS. According to AGCM, the interbank agreement for the remuneration of the SEDA service could constitute an agreement that is restrictive of competition within the meaning set forth in art. 101 of the Treaty on the Functioning of the European Union, since it allegedly entails "the absence of any competitive pressure", giving rise to a possible increase in overall prices borne by enterprises, which could be transferred downstream to consumers.

BMPS is taking part in the proceedings and attended a hearing at AGCM at which it explained in detail its position and the reasons why it does not find AGCM's complaint to be justified. While they remain convinced of the properness of their actions, ABI and the Banks, as parties to the proceedings, jointly submitted "Commitments" aimed at closing the proceedings, proposing a series of actions aimed at removing/remedying the breaches alleged. The Commitments were rejected by AGCM and the proceedings are moving forward, while the Banks and ABI remain committed to defending their actions.

9. TAX LITIGATION

The Bank and the Group's main companies are subject to various proceedings of a fiscal nature. As of the date of this Prospectus, there are approximately 60 pending proceedings, with claims totalling approximately €200 million, for taxes and sanctions. In addition, there are ongoing investigations for which no claim or dispute has been formalized.

The pending litigation to which a probable adverse outcome is associated is limited in number and amount (less than €8 million) and is backed by adequate provisions for risks and charges.

Below are the most relevant pending litigations in terms of the quantum sought (more than €10 million in taxes and penalties), as well as the potentially most significant investigations in progress, which are not included among the outstanding disputes.

10. PENDING PROCEEDINGS

Substitute tax on revaluation

On December 21, 2011, MPS Immobiliare was notified of two notices of tax assessment, one each for IRES and IRAP purposes, issued as a result of the findings of a tax audit ("PVC") for the 2006 tax year.

The dispute concerns the proper determination of the basis of calculation of the substitute tax on the redemption balance of monetary revaluation pursuant to Law 266/2005. The relative liability (additional taxes and penalties) is approximately €31 million. On 15 October 2013,

the Florence Provincial Tax Commission accepted in full the reasons given by the company, completely annulling the grounds in question in the light of similar judgments regarding the same tax findings, some of which have become *res judicata* for failure to appeal in the Cassation Court by the Italian Revenue Service. The Italian Revenue Service has appealed the ruling of the Florence Provincial Tax Commission, which appeal was denied by the Regional Tax Commission on September 28, 2015, affirming the first instance ruling. The Italian Revenue Service has filed an appeal with the Cassation Court, and the Bank has filed a counter-appeal.

The risk of an unfavorable outcome is considered remote by the Bank and its consultants.

Deductibility and taxability of costs of the formerly consolidated Prima SGR S.p.A.

BMPS is party to the litigation brought by Anima SGR to oppose the claims brought by the Regional Administration of Lombardy against Prima SGR S.p.A., a company which was formerly part of the Anima SGR tax group but which has since been merged into Anima SGR, alleging that certain costs were improperly deducted during the 2006, 2007 and 2008 tax years. Formerly SGR combined its reporting with that of the Bank and subsequently, when it was transferred by the Bank, it was incorporated by Anima SGR.

The Regional Administration of Lombardy has claimed approximately €4 million in back-taxes and approximately €5 million in sanctions for 2006; approximately €3 million in back-taxes and approximately €4 million in sanctions for 2007 and approximately €2 million in back-taxes and approximately €3 million in sanctions for 2008.

The claims were challenged at the Provincial Tax Commission of Milan. On 17 September 2015 the Tax Commission granted in part the challenge in relation to 2006 while, on 13 October 2015, the same Tax Commission granted in full the challenges proposed by the Bank in relation to 2007 and 2008. As of the date of this Prospectus, the Italian Revenue Service has appealed the ruling in relation to 2007 and 2008, while the term available to appeal the ruling in relation to 2006 is pending.

The Bank and its consultants believe that a negative outcome for €3.3 million is probable, while a negative outcome for €17.3 million is possible.

Deductibility of the valuation loss recorded by AXA MPS Assicurazioni Vita in relation to the securities owned by the same in Monte SICAV

BMPS is a party to litigation started by the subsidiary AXA MPS Assicurazioni Vita (a company which was formerly part of the tax group) to oppose claims by the Lazio Regional Office regarding the tax treatment of a writedown of its shareholding in the Luxembourg SICAV, Monte SICAV.

In particular, the Italian tax authority disputes, for the loss recorded, the correct qualification/configuration of securities for tax purposes and not the depreciation in connection with the writedown of the securities issued by Monte SICAV Equity (whether for securities issued in series or en masse), asserting that the same would have had to be attributed to the qualification of equity investments and, as a result, to have applied the applicable regulation. In this case, the auditors argued that the loss realized with respect to securities of the Monte SICAV Fund could not be entirely deducted in 2004, the year it was incurred, as the company had done.

Consequently, the Lazio Regional Office considered fully non-deductible the loss recorded and deducted by AXA MPS Assicurazioni Vita, assessing the company's additional taxes and penalties as amounting to €26 million.

The tax claims were challenged by AXA MPS Assicurazioni Vita and BMPS in front of the Provincial Tax Commission of Rome, which completely rejected the appeals filed by the two companies. On appeal, the decision of the courts of first instance was confirmed. At present, the litigation is pending before the Court of Cassation.

In the opinion of BMPS and its consultants, the risk of a negative outcome of this litigation is likely to be classified as probable for €3 million and possible for €23 million.

Moreover, the Italian Revenue Service disputes, due to erroneous configuration of the securities for tax purposes mentioned above, the full deductibility of adjustments in value recorded by AXA MPS Assicurazioni Vita and concerning the securities issued by Monte SICAV Equity for the 2003 tax year. The tax claim by the Italian Revenue Service was challenged by AXA MPS Assicurazioni Vita before the Provincial Tax Commission of Rome, which denied its petition. AXA MPS Assicurazioni Vita timely filed for appeal of this decision. With a ruling dated 26 May 2015, filed on 17 June 2015 the Regional Tax Commission rejected the appeal. This litigation proceeding is pending before the Court of Cassation.

In the opinion of BMPS and its consultants, the risk of a negative outcome from the proceeding is likely to be classified as probable for €1 million and possible for approximately €7 million.

The results of these proceedings may have a negative impact on the Bank by virtue of the warranty clauses included in the transfer agreement concerning the sale of AXA MPS Assicurazioni Vita entered into by the Bank.

Nautical leasing

MPS Leasing & Factoring S.p.A. received a number of assessment notices based on a preventive use of lease contracts typical of the "abuse of rights" of the nautical leasing contract. In such notices, the Italian Revenue Service sought to recover the difference between the prevailing *pro tempore* standard rate and flat-rate VAT, as clarified by C.M. No. 49/2002. To date, the pending disputes concern the years 2004 to 2010 (excluding 2005, which is *res judicata*) and they amount (for additional taxes and penalties) to approximately €11.7 million.

As of the date of this Prospectus, the rulings issued in all degrees of judgement for the years from 2004 through 2009 have been favourable to MPS Leasing & Factoring S.p.A., except in relation to 2006. In relation to 2006, the second degree appeal was granted only in part, while for 2010, a date is yet to be set for a hearing in the first degree proceedings. The company and its advisors assess the risk of unfavorable outcome of the proceedings overall as remote; only for the claims in relation to 2006, which were affirmed by the second degree proceedings, the risk of unfavourable outcome is evaluated as possible, with a consequent potential liability of approximately €165,000 (for additional taxes and penalties).

Completion of tax audit of MPS Leasing & Factoring S.p.A.

On 12 December 2014, the Tax Police of Siena commenced a tax audit of MPS Leasing & Factoring S.p.A. in relation to income tax, VAT and IRAP for 2013, and also covering the merger with MPS Commerciale Leasing, certain ordinary transactions with selected clients, as well as all nautical financial lease transactions from 2009 through 2012.

Following controls, the auditor notified the report on findings on 22 December 2015, whereby it claims increased payments of VAT and IRAP for the subsidiary, in the total amount of around 1 million Euro, due to unlawful VAT deductions in 2012 relating to a leasing transaction deemed non-existent and due to failure to include as taxable income, in the 2011 and 2014 tax years, amounts received as sanctions for the early termination of certain financial lease agreements.

The Italian Revenue Service, on 15 and 16 June 2016, served relevant notices of assessment confirming the allegations brought forth by the Tax Police, consequently assessing additional taxes and sanctions due of approximately €1.3 million.

MPS Leasing & Factoring S.p.A. and its advisors are evaluating the courses of action available to protect its rights.

Pending investigations

Assignment of real estate

Following a Court order, the Tax Police are carrying out a tax audit concerning a real estate transaction entered into by MPS Immobiliare in 2011, involving the assignment of a building complex located in Rome to a closed-end real estate fund, and the subsequent sale of units in the same fund. In connection with this transaction, the Tax Police served notice on 16 September 2013, contesting the tax regime applied by MPS Immobiliare to the transaction as well as unpaid tax liabilities of approximately €27 million of VAT, and approximately €4 million of direct taxes. The Italian Revenue Service has formally called on MPS Immobiliare to provide clarification, asserting that the transactions carried out, taken as a whole, were aimed at eluding taxation and MPS Immobiliare submitted its response. On 19 July 2016, the Italian Revenue Service, confirming the allegations set forth by the Tax Police, summoned the Bank, in its capacity as the entity into which MPS Immobiliare was merged, to appear at a hearing during the first ten days of September 2016 to discuss a potential settlement of the matter. The Bank believes, on the basis of advice from its consultants, that the risk of a negative outcome relating to the VAT claim is remote, while the risk relating to the claim for direct taxes is possible.

Pending tax audit of the Bank

On 1 October 2015, the Tax Police of Siena commenced an audit of the Bank for the tax years 2010 and thereafter up to now, focusing on income tax, and especially on the correct performance of the tax requirements in connection with the transaction to strengthen its Tier I capital through the issue of "preference shares".

The minutes of the audit, served on 14 October 2015, allege a failure to withhold, in tax year 2010, withholding taxes of approximately €5.8 million on approximately €46 million of interest earned.

The findings raised are based, in summary, on the requalification of financial instruments that resulted in payment of that interest expense by the Bank (and that do not provide for the application of withholding tax) as different financial instruments (in respect of which withholding taxes would be applied).

Following the audit and issuance of the audit minutes, on 22 December 2015, the Regional Administration of Tuscany served a notice of assessment and sanctions, which alleged non-payment of withholding tax for approximately €5.8 million and imposed sanctions for approximately €8.6 million. These notices were settled between the parties, with the payment by the Bank of approximately €2.9 million in the aggregate as withholding taxes and without any sanctions being imposed.

On 29 July 2016, upon completion of the tax assessment mentioned above, the Tax Police notified the Bank with a report on findings (*processo verbale di constatazione)* whereby the same findings raised for the 2010 year were reiterated for 2011 and 2013, taking into account the defence theories previously raised upon settlement of the previous 2010 tax year. The claim formalised in the report on findings amounts to 9.6 million Euro approximately. With respect to those findings (relating to the years from 2011 to 2013 inclusive), the Board of Directors of the Bank has already authorised a settlement at the same conditions for the settlement procedure applied to the 2010 financial year described above.

These later minutes of audit also allege that withholding taxes of approximately €8.8 million in the aggregate were not withheld in connection with a separate financing transaction with a foreign counterparty. Following consultation with its advisors, the Bank believes that this allegation is groundless and is evaluating the courses of action available to it to protect its rights.

Pending tax audit of the Consorzio Operativo Gruppo Montepaschi

On 27 April 2016, the Tax Police of Siena commenced an audit of the Consorzio Operativo Gruppo Montepaschi, focusing on direct taxes, VAT and IRAP in relation to the period from January 1, 2011 through 27 April 2016. As of the date hereof, the audit is still ongoing.

Deferred tax assets

The deferred tax assets ("**DTAs**") recognized in the Group's consolidated financial statements primarily relate to (i) impairments of loans and related losses in excess of the amount fully deductible in the financial year, (ii) goodwill that has been tax-certified, (iii) tax losses and DTAs accrued for ACE surpluses, and (iv) capital losses recognized in the equity reserve related to available for sale securities, as provided for under applicable Italian rules and regulation.

As at 30 June 2016, deferred tax assets amounted in aggregate to €3,451 million, of which €2,351 million may be converted into tax credits pursuant to Law No. 214 of December 22, 2011 ("**Law 214/2011**"). As at 31 December 2015, deferred tax assets amounted to €3,313 million, of which €2,389 million was available for conversion to tax credits pursuant to Law 214/2011.

Under the terms of Law 214/2011, deferred tax assets related to loan impairments and loan losses, or to goodwill and other intangible assets, may be converted into tax credits, where the company has a full-year loss in its non-consolidated accounts ("**convertible DTAs**"). The

conversion into tax credits operates with respect to deferred tax assets recognized in the accounts of the company with the non-consolidated full-year loss, and a proportion of the deferred tax credits are converted in accordance with the ratio between the amount of the full-year loss and the company's shareholders' equity.

Law 214/2011 also provides for the conversion of deferred tax assets where there is a tax loss on a non-consolidated basis. In such circumstances, the conversion operates on the DTAs recognized in the financial statements against the tax loss, in respect of the part of the loss generated from the deduction of the same categories of negative income components (loan impairments and loan losses, or related to goodwill and other intangible assets).

In the current regulatory environment, recovery of convertible DTAs is assured even in the event the Bank does not generate sufficient taxable income in the future to make use of the deductions corresponding to the DTAs in the ordinary way. The tax regulations, introduced by the Law 214/2011, and as confirmed in the document provided for by Bank of Italy/CONSOB/ISVAP ("IVASS") entitled "*Trattamento contabile delle imposte anticipate derivante dalla Legge 214/2011*" (Accounting of the deferred tax assets as effect of the Law 214/2011), giving "certainty" of the recovery of convertible DTAs, impact the recoverability test provided for by the accounting principle IAS 12, making it automatically satisfied. The regulatory environment provides for a more favorable treatment of convertible DTAs than for other kinds of DTAs. The former do not constitute negative balance sheet items for the purposes of the capital adequacy regime to which the Group is subject, and they are included among the RWA at a 100% weighting.

With respect to the Bank, deferred tax assets recognized in the 2015 Unaudited Interim Consolidated Financial Statements and the 2016 Half Year Consolidated Financial Statements primarily (i) impairments of loans and related losses in excess of the amount fully deductible in the financial year, (ii) goodwill that has been tax-certified, (iii) tax losses and DTAs accrued for ACE surpluses, and (iv) capital losses recognized in the equity reserve related to available for sale securities, as provided for under applicable Italian rules and regulation.

Deferred tax assets related to impairments of loans in excess of the amount fully deductible in the financial year, which, as at 30 June 2016, amounted to approximately €1,262 million (€1,298 million as at 31 December 2015), is similarly deemed to decrease over time, as a result of the assets' gradual conversion into current tax assets.

Deferred tax assets related to goodwill amounted to approximately €1,075 million as at 30 June 2016 (€1,080 million as at 31 December 2015). Such assets are expected to be naturally reduced over time, as they are gradually converted into current tax assets. The fiscal amortization of tax-certified goodwill takes place on a straight-line basis over several years. Currently, it is not anticipated that there will be any increase in tax-deferred assets arising solely from tax certification of goodwill as a result of any acquisition of business divisions or similar long-term investments.

Deferred tax assets related to capital losses recognized in the specific equity reserves amounted to € 237 million as at 30 June 2016 (€207 million as at 31 December 2015). Such reserves represent the variations of the fair value of the cash flow hedge derivatives and of the securities recognized in the financial statement as "financial assets available-for-sale".

In the 2016 Half-Year Financial Statements as at 30 June 2016, DTAs accrued in respect of tax losses totaled €418 million (€313 million at 31 December 2015) and DTAs accrued for ACE surpluses, provided for by Article 1 of the Decree-Law 201/2011, equalled €71 million (€24 million at 31 December 2015). Although according to applicable tax legislation, tax losses and the surplus ACEs can be carried forward without any time limit, the regulation provides for the related DTA a treatment more negative than the other DTA not convertible into tax credits under the law 214/2011 due to the fact that they are deducted from the net equity at a percentage rate of phasing-in without the benefit of the mechanism of the franchise. The DTA on the tax losses and on the ACE surpluses have been recorded in the 2016 Half-Year Financial Statements (as well as in 2015 Audited Consolidated Financial Statements) upon verification of the reasonable existence of future taxable incomes as shown from the Business Plan sufficient to ensure their recovery in the coming years. On this basis, the Bank expects a gradual clearing of these DTAs in the future. However, in the event that future taxable income should be lower than expected and insufficient to ensure the recovery of such DTAs, the Group may experience material adverse effects on its results of operations and financial condition.

11. CHANGES TO THE GROUP'S EXISTING PARTNERSHIPS COULD NEGATIVELY AFFECT ITS BUSINESS

As at the date of this Prospectus, the Group has a number of partnership agreements in place, including with the AXA S.A. for bancassurance operations, which entails the sale of insurance products through the Bank's branches, and with Compass S.p.A., a subsidiary of Mediobanca, for the distribution of consumer credit products. The Group has also entered into agreements with, *inter alia*, Lauro Quarantadue S.p.A. and Banca Popolare di Milano S.c.a.r.l., in the asset management sector, intended to establish one of the largest independent operators in Italy's asset management market (by assets under management), Anima Holding. In connection with those agreements, the Bank has also entered into a commercial agreement with Anima Holding regarding the placement, on a non-exclusive basis, of the Anima Holding group's products, through entities in BMPS's network.

The agreements feature complex terms dealing with the companies' corporate governance, including the requirement of particular majorities of directors for key decisions.

For example, the shareholders' agreement between the Group and AXA Mediterranean Holding S.A. ("**AXA Mediterranean**"), inter alia, gives AXA Mediterranean certain rights, including the right to put its shares in AXA MPS Assicurazioni Vita and AXA MPS Assicurazioni Danni to the Bank (the "**Put Option**") upon the occurrence of certain specified events, such as the occurrence of certain specified changes in the Bank's shareholding structure, at a price established by MPS Finance and AXA Mediterranean and/or a team of independent experts. In the event AXA Mediterranean were to exercise the Put Option, the Bank would be obligated to buy the shares of AXA MPS Assicurazioni Vita and AXA MPS Assicurazioni Danni, with potentially material adverse effects on the Group's business, financial condition, results of operations and cash flows. On the basis of the value of the Bank's holding recorded on its balance sheet as at 30 June 2016, the Bank would be required to pay €757,6 million to repurchase such shares.

MANAGEMENT OF THE BANK

The Bank is managed by a board of directors tasked with the strategic supervision. The board of directors in office consists of 14 members. Each member of the board of directors meets the requirements prescribed by the BMPS articles of association.

The chief executive officer is appointed by the board of directors.

Under the Italian civil code, the Bank is required to have a board of statutory auditors.

BMPS's articles of association allow also the possibility for the board of directors to constitute an executive committee to which it can delegate its own powers determining the limits of such delegation. As at the date of this Prospectus, the executive committee has not yet been established.

Board of Directors.

The Board of Directors was appointed by the ordinary meeting of the shareholders of BMPS on April 16, 2015 and will remain in office until the date of the shareholders' meeting called to approve the financial statements for the year ending 31 December 2017. The Board of Directors is currently made up as follows.

Name	Position	Date of birth
Massimo Tononi (1)	chairman	22 August 1964
Roberto Isolani (*)	deputy chairman	18 June 1964
Marco Morelli (2)	chief executive officer	8 December 1961
Beatrice Derouvroy Bernard	director	15 May 1963
Stefania Bariatti(*)	director	28 October 1956
Fiorella Bianchi	director	5 May 1954
Daniele Bonvicini(*)	director	31 January 1949
Lucia Calvosa(*)	director	26 June 1961
Maria Elena Cappello(*)	director	24 July 1968
Alessandro Falciai(*)	director	18 January 1961
Fiorella Kostoris(*)	director	5 May 1945
Stefania Truzzoli(*)	director	15 November 1968
Antonino Turicchi	director	13 March 1965
Christian Whamond	director	11 August 1973

Notes:

(*) *Independent director pursuant to the Consolidated Finance Act and the Corporate Governance Code of Listed Companies (the "Corporate Governance Code").*

(1) *Massimo Tononi resigned on 14 September 2016 as Chairman and Director of the Bank, effective after the conclusion of Shareholders' meeting for the approval of preparatory activities to develop the plan announced to the market on 29 July 2016.*

(2) The Board of Directors on 14 September 2016 approved the resolution of contract of Fabrizio Viola as CEO and General Manager of the Bank. and the appointment of Marco Morelli as the new CEO and General Manager of the Bank, effective from 20 September 2016.

Each member of the Board of Directors must meet the requirements of integrity, professionalism and independence as prescribed by law and in the Bank's Articles of Association. Verification of these requirements must be notified to the Bank of Italy in accordance with its supervisory provisions on the organization and corporate governance of

banks issued by the Bank of Italy, as amended by the title IV, chapter 1 of the Circular no. 285 of 17 December 2013, as amended (the "**Supervisory Provisions**") and to the public pursuant to CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time. The members of the Board of Directors all have domicile for their position at the Bank's registered office.

The following table sets out the positions of members of administrative, management and supervisory bodies held by the current members of the Bank's Board of Directors outside the Group and the qualifying shareholdings (i.e., shareholdings exceeding 2% of share capital in companies with listed shares and 10% in non-listed companies) they currently hold or which they held in the five years prior to the date hereof.

Name	**Position held outside the Group**	**Status of Position**	**Company in which owned shares**
Massimo Tononi (1)	chairman of the board of directors of Prysmian S.p.A.	current	
	chairman of the board of directors of Istituto Atesino di Sviluppo	current	
	director of Italmobiliare S.p.A.	current	
	chairman of Borsa Italiana S.p.A.	past	
	chairman of Cassa di Compensazione e Garanzia	past	
	chairman of EuroTLX Sim S.p.A.	past	
	chairman of London Stock Exchange	past	
	director of Sorin S.p.A.	past	
Roberto Isolani	member of the Global Management Committee of BTG Pactual	current	partner of Concessioni Italiane S.p.A
	director of BSI S.p.A.	current	
	director of Concessioni Italiane S.p.A.	past	
Marco Morelli (2)	Vice Chairman of Bank of America Merrill Lynch for Europe, the Middle East and Africa and CEO of Bank of America Merrill Lynch Italia	past	
	Deputy General Manager and Deputy CEO of Intesa Sanpaolo Group	past	
Beatrice Derouvroy Bernard	director and general director of AXA MPS Assicurazioni Vita S.p.A.	current	
	director and general director of AXA MPS Assicurazioni Danni S.p.A.	current	
	chairman of the board of directors of AXA MPS Financial LTD	current	
Stefania Bariatti	chairman of the board of directors of SIAS S.p.A.	current	
	director of ASTM S.p.A.	current	
	director of Canova Guerrazzi S.s.	current	
	director of Centro Nazionale di Prevenzione e Difesa Sociale CNPDS Onlus	past	
Fiorella Bianchi	general director of Conad del Tirreno Soc. Coop.	current	
	delegated director of Commerciale Ortoinvest S.r.l.	current	
	delegated director of Futura S.r.l.	current	
	deputy chairman of the board of directors of Ladis S.r.l.	current	
	director of S.D.I. Società Distribuzione Imballaggi S.r.l.	current	
	director of Signo S.r.l.	current	
	deputy chairman of the board of directors of Teckno Service S.r.l.	current	
	deputy chairman of the board of directors of Atlantide S.r.l.	past	
	deputy chairman of Siena Store S.r.l.	past	
	chairman of the board of directors of B.S.L.	past	

	S.r.l.	
	deputy chairman of the board of directors of Carina S.r.l.	past
	director of CBF S.r.l.	past
	director of Cecina Sviluppo S.r.l.	past
	director of Cisama S.r.l.	past
	sole administrator of Civitas S.r.l.	past
	director of Clodia S.r.l.	past
	chairman of the board of directors of Disco S.r.l.	past
	director of Egeo S.r.l.	past
	deputy chairman of the board of directors of Ellisse S.r.l.	past
	chairman of the board of directors of Emilio S.r.l.	past
	director of Etrusco S.r.l.	past
	director of Fly S.r.l.	past
	chairman of the board of directors of Foods Italy S.r.l.	past
	director of Glicine S.r.l.	past
	deputy chairman of the board of directors of I Negozini S.r.l.	past
	chairman of the board of directors of Iper Diamante S.r.l.	past
	director of Kasmene S.r.l.	past
	director of La Costa S.r.l.	past
	director of Lazio Invest S.r.l.	past
	deputy chairman of the board of directors of Leccia S.r.l.	past
	deputy chairman of the board of directors of Luce S.r.l.	past
	deputy chairman of the board of directors of Lunigiana S.r.l.	past
	director of Marilia S.r.l.	past
	director of Mercurio S.r.l.	past
	director of Non Food Conad Centro Italia S.r.l.	past
	deputy chairman of the board of directors of Oriolo S.r.l.	past
	director of Orizzonte S.r.l.	past
	deputy chairman of the board of directors of Perseo S.r.l.	past
	deputy chairman of the board of directors of Picasso S.r.l.	past
	chairman of the board of directors of Saccmarket S.r.l.	past
	deputy chairman of the board of directors of Sagial S.r.l.	past
	director of Sagittario S.r.l.	past
	deputy chairman of the board of directors of Santo Stefano S.r.l.	past
	director of Sapori di Forno S.r.l.	past
	deputy chairman of the board of directors of SD Store Firenze S.r.l.	past
	deputy chairman of the board of directors of SD Store Siena S.r.l.	past
	chairman of the board of directors of Supermercati Margherita	past
	director of Supermercati Sibilla	past
	director of Sviluppo Roma Supermercati S.r.l.	past
	director of Tropico S.r.l.	past
	director of Universo S.r.l.	past
	director of Supermercati Isola d'Elba	past
Daniele Bonvicini	director at Ferretti S.p.A.	past
	director at Colussi S.p.A.	past
	director at Serralunga S.r.l.	past

	director at Compartinvest S.r.l.	past	
Lucia Calvosa	director of Telecom Italia S.p.A.	current	
	director of Il Fatto S.p.A.	past	
	chairman of the board of directors of Cassa di Risparmio di San Miniato S.p.A.	past	
Maria Elena Cappello	director at A2A S.p.A.	current	
	director of Prysmian S.p.A.	current	
	director of Saipem S.p.A.	current	
	director of Seat Pagine Gialle S.p.A.	current	
	director and deputy chairman at Nokia Siemens Networks Italia S.p.A. (now known as Nokia)	past	
	director of SACE S.p.A.	past	
Alessandro Falciai	sole administrator of Millenium Partecipazioni S.r.l.	current	Millenium Partecipazioni S.r.l
	chairman of the board of directors of Mondo Marine S.p.A.	current	Assiteca SIM S.p.A.
	chairman of the board of directors of Aldebaran S.r.l.	current	Altair S.r.l.
	sole administrator of Alcione S.r.l.	current	
	sole administrator of Cassiopea S.r.l.	current	
	sole administrator of Deneb S.r.l.	current	Deneb S.r.l.
	sole administrator of Millenium Directory Holding S.r.l.	current	
	chairman of the board of directors and chief executive officer of I Puntoni Società Agricola S.a r.l.	current	
	chairman of the board of directors and chief executive officer of La Farnia Società Agricola S.a r.l.	current	
	chairman of the board of directors of Hyperstem SA	past	
	director of Stemgen S.p.A.	past	
	chairman of the board of directors of Assiteca SIM S.p.A.	past	
	chairman of the board of directors and chief executive officer of Asteroide S.r.l.	past	
	chairman of the board of directors and chief executive officer of EI Towers	past	
	chairman of Towertel S.p.A.	past	
Fiorella Kostoris	—	—	
Stefania Truzzoli	director of BT Italia S.p.A.	current	
	director of Consorzio TOPIX	current	
	delegated director of Atlanet S.p.A.	current	
	director of Erptech S.p.A.	current	
Antonino Turicchi	Head of Directorate VII – Finance and privatisations oof the Treasury Department – Italian Ministry of Economy and finance	current	
	director of Autostrade per l'Italia S.p.A.	current	
	director of Compagnia Aerea Italiana S.p.A.	current	
	chairman of the board of directors of Alstom Grid S.p.A.	past	
	chairman of the board of directors of Alstom S.p.A.	past	
	chairman of the board of directors of Alstom Power Italia S.p.A.	past	
	director of Alstom Ferroviaria S.p.A.	past	
	director of Alitalia S.p.A.	past	
	chairman of the supervisory board of STMicroelectronics N.V.	past	
	director of Atlantia S.p.A.	past	
Christian Whamond	director of corporate credit of Fintech Advisory Inc.	current	
	director of Seamex Ltd.	past	
	director of Seadrill Mexico Holding Ltd.	past	
	director of Seadrill Oberon (S) Pte Ltd.	past	
	director of Seadrill Intrepid (S) Pte Ltd.	past	

director of Seadrill Defender (S) Pte Ltd.	past
director of Seadrill Courageous (S) Pte Ltd.	past
director of Seadrill Titania (S) Pte Ltd.	past
director of Seadrill Leasing BV	past
director of SeaMex Holding BV	past
director of SeaMex Mexico UK Ltd.	past
director of Seadrill Oberon de Mexico S de RL de CV	past
director of Seadrill Intrepid de Mexico S de RL de CV	past
director of Seadrill Defender de Mexico S de RL de CV	past
director of Seadrill Courageous de Mexico S de RL de CV	past
director of Seadrill Titania de Mexico S de RL de CV	past
director of Seadrill Holdings de Mexico S de RL de CV	past
director of Seadrill Jack Up Operations de Mexico S de RL de CV	past
director of Seadrill Logistics de Mexico S de RL de CV	past
executive director, BTG Pactual	past
director of Fintech Europe S.à r.l.	past

(1) *Massimo Tononi resigned on 14 September 2016 as Chairman and Director of the Bank, effective after the conclusion of Shareholders' meeting for the approval of preparatory activities to develop the plan announced to the market on 29 July 2016.*

(2) The Board of Directors on 14 September 2016 approved the resolution of contract of Fabrizio Viola as CEO and General Manager of the Bank. and the appointment of Marco Morelli as the new CEO and General Manager of the Bank, effective from 20 September 2016.

The business address of each member of the Board of Directors is Banca Monte dei Paschi di Siena S.p.A., Piazza Salimbeni 3, 53100, Siena, Italy.

The Board of Directors meets regularly at the Bank's registered office. Meetings of the Board of Directors are convened on a monthly basis upon request of the Chairman. Meetings may also be convened upon motivated request by at least three Directors indicating the items to be discussed or upon written request of the Board of Statutory Auditors or at least every Statutory Auditor addressed to the Chairman. Meetings may be held in person or through video-conference. The quorum for meetings of the Board of Directors is the majority of the Directors in office. Resolutions are adopted by the vote of the majority of the Directors attending the meetings.

Chief Executive Officer

The chief executive officer (*amministratore delegato*) carries out its functions within the limits of the delegated powers and in the manner determined by the board of directors. The chief executive officer also holds powers to be exercised as a matter of urgency by the chairman of the board of directors, in the event of an absence or impediment of him or any substitute.

The Board of Directors of the Bank approved the appointment of Marco Morelli as the new CEO and General Manager on 14 September 2016. He took up the position from 20 September 2016.

The address of the CEO for the duties he discharges is: Piazza Salimbeni 3, Siena, Italy.

General Manager

The General Manager attends the meeting of the board of directors but has no right to vote on proposed resolutions at such meetings.

The General Manager undertakes all operations and acts which are not expressly reserved for the board of directors or the executive committee. He oversees and is responsible for the overall administration and structure of the Bank and implements resolutions of the board of directors. He participates in meetings of the board of directors and proposes matters to the board of directors for approval, including matters relating to loans, the coordination of activities of the Group and the employees.

The General Manager is appointed by the board of directors which may also remove or suspend from his office.

The General Manager (Direttore Generale) was Fabrizio Viola who had been appointed by the board of directors on 12 January 2012. On 14 September 2016 the Board of Directors of the Bank approved the appointment of Marco Morelli as the new General Manager and CEO who took up the position from 20 September 2016.

The address of the general manager for the duties he discharges is: Piazza Salimbeni 3, Siena, Italy.

Financial Reporting Officer

On 14 May 2013, the board of directors appointed Arturo Betunio as financial reporting officer, pursuant to article 31 of the articles of association, starting from the date on which he was employed (10 June 2013) as head of administration and accounting. In 2015 Arturo Betunio was also appointed as the Bank's chief financial officer.

Managers with strategic responsibilities

The table below sets forth the names of the current management of the Bank with strategic responsibilities, together with their positions.

Name	Position	Date of birth
Marco Morelli	general manager and chief executive officer	8 December 1961
Angelo Barbarulo	deputy general manager and head of credit	17 November 1954
Arturo Betunio	chief financial officer and financial reporting officer	13 January 1965
Marco Bragadin	head of retail and network	2 April 1967
Ilaria Dalla Riva	head of human resources, organisation and communication	20 November 1970
Fabrizio Leandri	head of internal audit	21 April 1966
Enrico Maria Fagioli Marzocchi	head of credit solution	23 June 1956
Maurizio Pescarini	head of corporate services	24 September 1974
Andrea Rovellini	head of risk	15 February 1959
Sergio Vicinanza	head of corporate and investment banking	13 May 1958

The address of the managers with strategic responsibilities of the Bank for the duties they discharge is: Piazza Salimbeni 3, Siena, Italy

Board of Statutory Auditors

The board of statutory auditors is composed of three standing members and two alternate members. Statutory auditors are appointed by the ordinary shareholders' meeting for a three year term and may be re-elected. The shareholders' meeting also sets the remuneration of the statutory auditors for their entire term.

The board of statutory auditors is required to verify that the Bank complies with applicable law and its by-laws, respects the principles of correct administration, and maintains adequate organisational structure, internal controls and administrative and accounting systems. The board of statutory auditors has a duty to shareholders, to whom they report at the annual general shareholders' meeting approving the financial statements.

The members of the board of statutory auditors are required to meet at least once every 90 days, take part in meetings of the board of directors, the shareholders' meetings and meetings of the executive committee.

The board of statutory auditors was appointed by the ordinary shareholders' meeting of 16 April 2015 and shall remain in office until the shareholders' meeting called to approve the 2017 financial statements.

The following table sets out the positions of members of administrative, management and supervisory bodies held by the current members of the Bank's board of statutory auditors outside the Group:

Name	Title	Position held outside the Group
Elena Cenderelli	chairman of the board of statutory auditors	-
Anna Girello	auditor	chairman of the board of statutory auditors of Delsanto S.p.A.
		chairman of the board of statutory auditors of Ceretto Aziende Vitivinicole S.r.l.
		chairman of the board of statutory auditors of Finbal S.r.l.
		chairman of the board of statutory auditors of Finvezza S.r.l.
		chairman of the board of statutory auditors of Finceretto S.r.l.
		chairman of the board of statutory auditors of Italgelatine S.r.l.
		chairman of the board of statutory auditors of Ondalba S.p.A.
		auditor of EI Towers S.p.A.
		auditor of Sedamyl S.p.A.
		auditor of Magazzini Montello S.p.A.
		auditor of Oikos 2006 S.r.l.
		sole administrator of Green Gestioni e Servizi S.r.l.
		director of Getto Design S.r.l.
		director of Toscana Aeroporti S.p.A.
Paolo Salvadori	auditor	chairman of the board of statutory auditors of AXA MPS Assicurazioni Vita S.p.A.
		chairman of the board of statutory auditors of AXA

		MPS Assicurazioni Danni S.p.A. auditor of AXA Italia Servizi S.c.p.a. chairman of the board of statutory auditors of Immobiliare Due Ponti S.p.A. chairman of the board of statutory auditors of MA Centro Inossidabili S.p.A.
Gabriella Chersicla	alternate auditor	chairman of the board of directors of parmalat S.p.A. chairman of the board of directors of Impresa Costruzioni Giuseppe Maltauro S.p.A. director of Maire Tecnimont S.p.A. auditor of RCS MediaGroup S.p.A. alternate auditor of Risanamento S.p.A. alternate auditor of Telecom Italia S.p.A.
Carmela Regina Silvestri	alternate auditor	chairman of the board of statutory auditors of Cedel S.c.a.r.l. alternate auditor of Amway S.r.l. alternate auditor of Drinkabile S.r.l.

Statutory Auditing

Pursuant to article 30 of the Bank's articles of association, the ordinary shareholders' meeting appointed, on 29 April 2011, Reconta Ernst & Young S.p.A., as independent auditors for a nine-year period (2011-2019) pursuant to articles 13 and seq. of the Legislative Decree no. 39 of 27 January 2010 (the "**Decree 39**") and article 2409-bis of the Italian civil code.

The Decree 39 implemented new rules concerning the statutory audit by introducing innovations relating to the audit of annual financial statements and consolidated financial statements. The statutory audit shall be performed by an independent auditor meeting the requirements established by law.

Conflicts of Interest of Members of the Board of Directors

The Bank is an Italian bank with shares listed on regulated markets and as such deals with any conflicts of interest of the members of its administrative, management and supervisory bodies in accordance with the requirements of Article 2391 ("*Directors' interests*") and Art. 2391-*bis* of the Italian civil code ("*Related party transactions*"), Article 53, paragraph 4 ("Regulatory supervision") and Article 136 ("*Obligations of bank corporate officers*") of the Consolidated Banking Act (TUB) and the regulatory provisions on related party transactions adopted by CONSOB with Resolution no. 17221 of March 12, 2010 as amended from time to time ("*Regulation on Related Party transactions*") and by the Bank of Italy on December 12, 2011 ("*Circular 263/2006—Update no. 9 on risk and conflicts of interest with respect to affiliated parties*", as amended from time to time).

In the context of these requirements, the Board of Directors, on November 12, 2014, adopted a specific "Global Policy concerning transactions with Related Parties and affiliated parties, undertakings of banks' representatives" (the "**Global Policy**") which includes in a single document the provisions concerning the conflicts of interest mentioned above applicable to the Group.

The Global Policy has been approved with the previous positive opinion of the Committee for Transactions with Related Parties and the Board of Statutory Auditors, which were issued, respectively, on November 4, 2014 and November 10, 2014.

The Global Policy sets forth the principles and rules for BMPS Group aimed at protecting it from the risk connected to possible conflicts of interests with some subjects close to the centers where the decisions are taken at the Bank. In particular, the Global Policy provides for the composition and functioning of the Committee for Transactions with Related Parties, the perimeter of Related Parties and the affiliated parties, the undertakings linked to the process for the authorization of the Transactions with Related Parties and the affiliated parties, the choices concerning the exemptions applicable to such transactions (exclusion of the prior favorable opinion of the Committee for Transactions with Related Parties). Pursuant to the rules set forth by CONSOB and the Bank of Italy, the complete Global Policy has been published on the Bank's website (www.mps.it).

In addition, having importance in this respect are certain provisions in the Bank's Articles of Association which require specific information flows in the case of interests held by members of the administrative, management and supervisory bodies which are designed to ensure the independence of directors and statutory auditors. Article 17 of the Bank's Articles of Association requires the Board of Directors to promptly report on a timely basis to the Board of Statutory Auditors on any transactions in which its members have an interest, on their own behalf or on behalf of third parties, while the obligation still remains for each director to inform the other directors and the Board of Statutory Auditors of any interest which they may have in a specific transaction of the Bank, on their own behalf or on the behalf of third parties, as required by Art. 2391 of the Italian Civil Code. In addition to requiring compliance with the provisions of Article 136 of the Consolidated Banking Act, Article 21 of the Bank's Articles of Association expresses the obligation for the members of the Board of Directors and the Executive Committee to inform the Board of Directors and the Board of Statutory Auditors as to any affair in which they personally have an interest or which regards entities or companies of which they are directors, statutory auditors or employees, unless Group companies are concerned.

Article 15 of BMPS's articles of association states that the directors shall not hold positions as members of the board of directors, the management board or the supervisory board of competitor banks. Article 26 of BMPS's articles of association states that the members of the board of statutory auditors shall not hold other positions in other banks (not belonging to the Group or subject to joint control) and may only hold positions in control bodies in other Group companies or in companies in which BMPS holds, directly or indirectly, a strategic interestTo the best of the Bank's knowledge and belief, as of the date hereof there are no conflicts involving the members of its administrative, management and supervisory bodies, current or potential, between their obligations towards the Bank and their private interests and/or their obligations towards third parties, other than those occurring within the context of specific resolutions adopted by the Bank in accordance with the above-mentioned Art. 2391 of the Italian civil code and Article 136 of the Consolidated Banking Act. Given the Bank's business, the private interests that can occur relate mainly to transactions which entail financing and loans typical of the bank business.

The means by which the board of directors is appointed, as governed by BMPS's articles of association, ensures that directors fulfil the independence requirements. More specifically, pursuant to article 15, when the board of directors is appointed, each list filed by shareholders would have a number of candidates, specifically indicated, fulfilling the independence

requirements established for the statutory auditors by the law and the additional independence requirements prescribed by the corporate governance code, not lower than two and at least equal to 1/3 of the candidates in the list. Pursuant to article 3 of the corporate governance code, the board of directors has the duty to assess the independence of its non-executive members on an annual basis. The assessment of independence of the directors prescribed by the Consolidated Financial Act and the corporate governance code has been conducted during the meeting of 25 February 2016.

As prescribed by the Corporate Governance Code and the Supervisory Provisions, the board of directors performs the self-assessments at least annually.

The main transactions concluded with related parties are described in the consolidated financial statements as at 30 June 2016 approved on 29 July 2016.

Main Shareholders as at the date of this Prospectus

Shareholders	**% share capital on overall share capital**
Fintech Advisory Inc. (in its capacity of manager of Fintech investments Ltd, parent company of the Issuer' shareholder Fintech Europe S.à.r.l.)	**4.500%**
Italian Ministry of Economy and Finance	**4.024%**
Axa S.A. (directly and indirectly through subsidiaries)	**3.170%**
Classic Fund Management AG	**2,008%**

As at the date of this Prospectus, there is no entity controlling the Issuer pursuant to article 93 of the Consolidated Finance Act, since no shareholder holds the majority of votes in the ordinary shareholders' meeting.

Furthermore, article 14, paragraph 7, of BMPS By-laws states that, should a bank foundation during an ordinary shareholders' meeting, as ascertained by the Chairman of the assembly during the assembly and immediately before each vote, be able to exercise, on the basis of the shares held by the shareholders attending the meeting, a majority vote, then the Chairman of the meeting shall take note of such a case and shall proceed to the exclusion of the bank foundation's votes, up to a number of shares which are equal to the difference between the number of ordinary shares deposited by the aforesaid bank foundation and the overall number of ordinary shares deposited by the other shareholders who are present and have been admitted to the voting, plus one share.

CAPITAL ADEQUACY

In furtherance of the Basel III accord, CRD IV and CRR I, which went into effect on January 1, 2014, include prudential requirements for credit institutions and investment firms. The Basel III regulations as currently implemented and as introduced with the approval of CRD IV and CRR, and integrated with national regulations, provide for a minimum Common Equity Tier 1 Ratio of 7% including the capital conservation buffer of 2.5%. The CRD IV Package envisages the following capital ratios: (1) Tier 1 ratio of 8.5% (inclusive of a capital conservation buffer of 2.5%); and (ii) Total Capital Ratio of 10.5% (inclusive of a capital conservation buffer of 2.5%).

The following table sets forth the capital indicators and supervisory coefficients of BMPS, on a consolidated basis, as at June 30, 2016 and as at December 31, 2015, calculated by applying the Basel III rules as adopted with the approval of CRD IV and CRR I, and supplemented with the national discretionary measures required for 2014 by the Bank of Italy and contained in "Part II, Application of the CRR In Italy" of the Bank of Italy Supervisory Regulation[9].

Capital Adequacy (Basel III)	**As at June 30, 2016**	**As at December 31, 2015**
	(€ millions except %)	
Common Equity Tier 1	8,596	8,503
Tier 1	9,147	9,101
Tier 2	1,914	2,196
Total Capital	11,062	11,298
RWAs	70,984	70,828
Common Equity Tier 1 Ratio	12.1%	12.0%
Tier 1 Ratio	12.9%	12.9%
Total Capital Ratio	15.6%	16.0%
RWA/Total assets	43.2%	41.9%

The Common Equity Tier 1 Ratio of the Group of 12.1% at June 30, 2016 and of 12.0% at December 31, 2015 would be approximately 11.8% and 11.7% on a "fully phased" basis[10]. The Common Equity Tier 1 Ratio on a fully phased basis for June 30, 2016 and for December 31, 2015 is included for illustrative purposes only to demonstrate the impact of Basel III were there to be no transition period during which the new regulatory measures were to be gradually introduced. It does not represent a guarantee of capital adequacy expected to be achieved at the end of the regulatory transition period.

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[9] The main elements in the national discretionary measures issued by the Bank of Italy with respect to the transitional regime for 2014 can be summarized as follows: (i) the Common Equity Tier 1 level was set at 7%, of which 4.5% was the minimum capital requirement and 2.5% was the capital conservation buffer; (ii) continued application of the prudential filter on unrealized gains and losses with respect to exposures to EU central governments classified in the AFS portfolio, and up to the planned amendment of the current version of IAS 39; (iii) if certain requirements are met, the provision for alternatives to deduction (weighted at 370%) for significant holdings in insurance businesses that do not exceed 15% of the capital of the investee; and (iv) the gradual grandfathering of the capital instruments that can no longer be included in regulatory capital in accordance with CRR I by December 31, 2021.

[10] Common Equity Tier 1 Ratio (fully phased) is calculated in accordance with the rules expected to be in place at the end of the transitional period, including the Bank of Italy's discretionary measures, but without taking into account the prudential filter on unrealized gains and losses with respect to exposures to EU central governments classified in the AFS portfolio,

CREDIT AND COLLECTION POLICY

Policy for the Granting, Managing and Recovery of Credits

1. PROCEDURE FOR THE GRANTING OF MORTGAGES

Pursuant to Article 38 of the Consolidated Banking Act, the Bank of Italy, in compliance with the decisions of the Credit and Savings Interdepartmental Committee (CICR), defines the maximum amount of loans by the identification of such amount with reference to the value of the mortgaged properties or of the cost of works to be executed on such properties, and defines the cases in which loans may be granted when there are prior mortgage registrations.

Accordingly, pursuant to the commercial directives of the Group, the Loan to Value is equal to 80% of the costs for the construction/restructuring or of the appraised value (*valore di perizia*) of the real estate asset backing the loan.

The 80% limit for the granting of loans is enhanced to 100% if the mortgage loan is backed by additional securities such as: bank guarantees (*fideiussioni bancarie*), policies (*polizze fideiussorie*) granted by insurance companies, securities granted by public guarantee funds (*fondi pubblici di garanzia*), security associations on bank loans (*consorzi di garanzia fidi*) and security co-operatives on bank loans (*cooperative di garanzia fidi*), transfers of receivables to the State as well as transfers of annuities (*annualità*) or of subsidies due by the State or public entities (*contributi a carico dello Stato o di enti pubblici*) or pledges over governmental bonds or debentures which have been issued.

If there are any guarantors of additional securities, these guarantors are obviously subject to evaluation as well.

Mortgage loans for the purchase of real estate assets used as a first home are generally mortgaged with a first-ranking mortgage. In any case the existence of prior-ranking mortgages does not prevent the granting of a (supplementary) mortgage loan (*mutuo suppletivo*) provided that the principal amount outstanding on the loans, added to the amount of the new mortgage loan, does not exceed 80% of the value of the real estate asset secured pursuant to the security created under the loan.

Real estate assets subject to registration of the mortgage shall be insured against fire and explosion for an amount equal to the appraised value or to the cost of construction (*ricostruzione a nuovo*) increased by 20%. Other forms of insurance (such as life insurance on the borrower) are optional.

The procedure for granting mortgage loans (*mutui di credito fondiario*) is carried out using the mortgage loan approval procedure, which allows the entire loans procedure to be followed ending with the final disbursement of funds.

The approval procedure (*iter istruttorio*) consists in a series of phases (requirements) and requires that these are carried out in the following precise order:

(a) Risk-assessment procedure (*istruttoria di rischio*)

(b) Loan Proposal and Approval (*proposta e delibera di fido*)

(c) Technical procedure (*istruttoria tecnica*)

(d) Legal procedure (*istruttoria legale*)

Once the procedure has been completed, the application is submitted to the competent decision-making body for approval.

1.2 Risk-assessment procedure (*Istruttoria di rischio*) – Analysis of the solvency of individuals

The procedure to assess the solvency of the client and of any co-obligors consists in the following phases:

- Examination of negative information
    - Searches with the registry office (*Anagrafe*) for any negative events or irregularities (*anomalie di rapporto*) (also archives)
    - Public database searches for proceedings for non-payment of cheques, promissory notes or drafts (*Protesti*) and any encumbrances (*Pregiudizievoli*)
    - Search of "Non-performing Status" ("*Status Sofferenza*") on the System.

If any of the above events are discovered, the procedure cannot move forward without the intervention of a competent board as indicated by the Law.

- Search of the Central Risk Register
    - Analysis of the relevant data in the Central Risk Register managed by the Bank of Italy to verify the applicant's aggregate debt exposure and any irregular behaviour
    - The analysis is also expanded to include any related guarantees
- Assignment of client risk rating
    - Rating di Istruttoria for a new borrower or Integrated Score for a new customer (see par. 1.4 below)
    - Credit Bureau Score
    - Combination of the scores on the risk assessment Grid
- Determination of Disposable Income
    - Information on family income obtained from the applicant’s pay slips or income tax-returns (*dichiarazione dei redditi*) if the applicant is a subordinate employee1
    - Information on outstanding financial obligations (*impegni finanziari in corso*) and evaluation of the consistency of the declarations with the data obtained from credit data bases
    - Evaluation of the debt to income ratio;

Following the evaluation phase applicants are assigned one of three overall risk ratings (High, Medium, Low Risk).

1.3 **Loan Proposal and approval (proposta e delibera di fido)**

The proposal phase consists in the gathering of all the necessary information for the loan description and assessment. The scope of the resolution (*competenza di delibera*) is defined according to the results of the 'Integrated Score' defined by the combination of the demand risk scoring (considering applicant sociological risk and loans features risk) and the affordability scoring (considering applicant capability of revenues, saving and assets growing). In particular, automatic approval is provided if, in addition to a low counterparty risk, the request is not characterized with any parameters, considered internal risk riser like, for example, the following:

- non resident applicant;
- Maximum amount of Euro 200,000;
- negative information received on the Risk-assessment procedure (such as negative credit boreau score, bad loans from the Central Risk Register, etc) ;
- Loan to Value not higher than 80%;
- The duration of the mortgage loan added to the age of the borrower does not exceed 75 years.

If automatic approval is not feasible, the competent decision-making body is selected according to the rules described in the Law.

1.4 **Technical procedure (istruttoria tecnica) – valuation of the real estate asset**

The procedure continues with the technical and legal valuation of the property backing the loan by means of:

- Valuation of the preliminary deed of purchase and sale of the property, related project and estimated budget;
- Appraisal of the property (perizia di stima) performed by a surveyor appointed by the bank;
- Analysis of all the documentation available at the land registry archives.

In particular, starting January 2008, an appraisal (*perizia tecnica*) shall be performed by an independent surveyor for mortgage applications for any purpose. Independent surveyor means a person having the necessary qualifications, skills and experience to perform the appraisal, who has not taken part in the decision-making procedure in relation to the loan and is not involved in monitoring of the loan.

The above appraisal shall be carried out on the basis of the current value (*valore intrinseco*) of the property for which the loan is requested, without having regard to the creditworthiness

of the borrower. Exclusively in the case of *mutui fondiari* to be granted to individuals, the above appraisal is performed after approval of the mortgage.

In particular:

(a) *applications for an amount higher than Euro 5,000,000*: the technical procedure and the appraisal will be performed by the bank's surveyor or by a surveyor chosen from the names in the list of the first category (*prima fascia*).

(b) *applications for an amount between Euro 2,500,000 and Euro 5,000,000*: the appraisal shall be made by a surveyor chosen from the names in the list of the first category (*prima fascia*) surveyors (qualified to also carry out mortgages' restrictions and divisions).

(c) *other applications other than those listed in sub-paragraph a) and b) above*: branches of the bank shall directly appoint a reliable local surveyor, chosen from the names in the list available to the Bank, to carry out the property appraisal (*giudizio di stima*) and accordingly to ascertain the value or cost of construction of the properties backing the loan. Such lists are available in the relevant local area.

The appraisal, to be generally completed on the standard forms provided by the Bank, shall be as faithful and complete as possible, in order to allow the reader to understand the property (use and dimensions) and its qualities and deficiencies. The appraisal shall reflect the standard market conditions existing at the date of drafting. The value identified shall not exceed the market value. Clearly, for rented real estate properties, income from relevant agreements shall be taken into consideration in preparing the appraisal.

As for residential real estate assets, the value may be determined, if there is information available on sale prices paid for real estate assets similar to the asset under appraisal, using the comparative approach (*metodo comparativo*) adjusted as deemed appropriate having regard to the morphological features of the asset, to the state of maintenance, to the profitability and to any other factors deemed to be relevant.

Due to breaches to local building regulations (*abusi edilizi*), surveyors are advised to pay careful attention in ascertaining that the assets backing the loan, whether under construction or recently completed, fully comply with the current city-planning regulations (*leggi urbanistiche*).

Technical costs sustained in carrying out the procedure are to be charged to the client. In signing the application form the client undertakes to reimburse all such costs even if the transaction is not executed for any reason.

1.5 **Legal procedure (*istruttoria legale*)**

Legal due diligence on the property backing the loan is entrusted to a notary public appointed by the borrower for traditional mortgage loan transactions or by the Bank for active subrogations (Article 8 of Law 40/2007). The notary shall, *inter alia*:

- ensure the applicant may enter into the mortgage loan agreement and create a valid charge over the real estate assets offered as security for the mortgage;

- ensure that the borrower or the mortgage guarantor are the sole and exclusive owner of the real estate assets offered as security;

- verify that the relevant properties are free from charges or foreclosures (*trascrizioni ostative or iscrizioni passive*) and indicate if any are found;

- Check the description of the properties as prepared by the surveyor to be inserted in the relevant mortgage loan agreement.

In drafting the details of the mortgage agreement and loan disbursement documents, any particular legal situations which may be discovered by the notary during the documentary due diligence (such as successions in relation to which the State sill has privilege with reference to the payment of the relevant tax) will be followed up by the branches with the competent authorities within their Local Area.

2. MANAGEMENT OF MORTGAGES

2.1 Survey of collections and payment methods

Unless the contract provides for a pre-amortisation period, amortisation periods for almost all mortgage loans start on the first day of the first period (monthly, quarterly, semi-annually, annually) following the execution of the contract.

Methods of payment of the mortgage loans' instalments are substantially:

- direct debit from the bank account held by the debtor with any branch of the bank (*ordine permanente*);

- direct debit from the bank account held by the debtor with a different bank (procedura RID);

- Payment through deposit slip (Bollettino MAV).

The client can choose the method of payment.

Near the instalment due date a notice that the instalment is falling due (*avviso di scadenza della rata*) (MAV standard form) is sent to the domicile of the borrowers that have not selected payment by means of direct debit, inviting them to pay the amount due at any branch of the bank or any other financial institution or any post-office branch by presenting the notice.

2.2 Monitoring activity

The client's portfolio of the bank is monitored daily for the purpose of identifying any indicator events of potential riskiness. The presence of irregular events with reference to the client's positions is reported daily and the Branches' roles and structures are involved.

In the case of mortgage loans with overdue and unpaid instalments, or instalments which are unpaid and subject to suspension, the monitoring of such events is mandatory.

2.3 **Management of late payments**

Until the maturity date, the mortgage loan is classified as performing ("in bonis").

Following the maturity date, if the instalment has not been paid, such instalment is classified as

- "Overdue" if it remains unpaid a day after its maturity date;
- "Delinquent" if it remains unpaid ten days after its maturity date.

For the purpose of calculating accrued interest, the default status normally runs from the second day following the maturity date of the relevant instalment.

If a due payment is classified as over due, the mortgage loan remains under the management of the relevant branch, which will contact the client initially by a first telephone call and/or personal contact in order to determine the cause of non-payment urging the regularisation of the position. Simultaneously the branch begins to analyze the causes that led to the delay in payment

- After 20 days over due:

  the position is monitored by means of a software called "Cruscotto del Credito" (Credit Dashboard) updated daily with the situation of delinquent loans;

- After 30 days over due:

  the position delinquency starts. The position is managed by a"Credit Monitoring" tool which explicitly allows the tracing of actions for the upgrade and/or regularisation of the position including the possibility to send the instalment non payed to an external collection company.

In parallel, an automatic procedure sends reminder letters at specific deadlines: 45 days, 100 days and 150 days.

Credit Monitoring

As to mortgage life management and monitoring of the loan book, the branch network uses the "Credit Monitoring" tool, which replaced the "Loan Performance Management" process at the beginning of 2012. The introduction of this new tool was supported by a training program for over 5,000 employees.

The Credit Monitoring process is an effective aid to obtain credit cost reduction by leveraging two main factors:

- identification of high insolvency risk positions ('screening');
- 'customer-type differentiated' treatment of positions (dedicated 'routing').

Ordinary-risk positions are scanned by a 'screening' engine which selects the highest-risk positions on a weekly basis, so as to identify the counterparties bound to become insolvent at a sufficiently early stage. Screening is based on a 'performance risk indicator' (so called

"*indicatore di rischio andamentale*" or "*IRA*") which factors in, and is reflective of, a set of critical elements including the worsening of certain leading indicators, ratings, information on related counterparties and days past due (with thresholds being differentiated by customer segments and amounts used).

Ordinary-risk positions are selected as higher risk positions:

– if the "IRA" is greater of certain tresholds

or

– if a classification parameter is switched on

or

– after 20 days overdue

Ordinary-risk positions, reported as higher risk by the 'screening' engine, are routed to specific processing queues depending on the type of customer and credit facility involved:

1. a 'Path Retail Industrialized" procedure for 'Retail Family' and 'Small Business' clients: for certain positions of a relatively low amount without sales targets, it is possible to control the recovery process externally by mandating this task to a specialised credit collection bureau managed by Recovery Service (Servizio Gestione Massiva Crediti Problematici) inside Area recupero Crediti;

2. a 'Path Retail Standard' procedure for Retail, Affluent and Private customers (high income Individuals), as well as small-sized businesses with limited exposure which, by reason of their type of exposure, cannot be managed by the external credit collector and need to be followed by the branch;

3. a "Path Corporate" procedure dedicated to corporate customers.

This process cannot be applied to employees and special situation loans.

When the loan is routed to Path Retai Industrilized, the branch will manage the situation up to 10 days past due. After this period the relevant branch will transfer the situation to specialised credit collection bureau managed by Area Recupero Crediti. If after 120 days the specialised credit collection bureau does not reach its goal, the position will go back to the branch. The branch can choose to manage the position following the PRS procedure or, if the missed payment concerns a potential irregularity in the loan relationship, or the possibility of future missed payments or partial payments of the following instalments, the position is carefully monitored and afterwards is classified as delinquent (as *Inadempienza Probabile*).

The management of delinquent positions has the following possible solutions:

- Demanding immediate payment of all outstanding instalments;
- Agreeing upon an instalment payment scheme *piano di rientro*;
- Restructuring the mortgage loan.

If after a careful evaluation of the loan, the difficulties of the borrower are deemed to be permanent and no longer temporary, the matter is classified as a defaulted loan (*In Sofferenza*) and therefore transferred to Credit Management Area (*Area Recupero Crediti*). Once approval is given to move the matter on to the enforcement phase (*passaggio a contenzioso*), the matter is automatically converted as a defaulted loan in the Central Risk Register.

The definition of a Defaulted loan is the same as the meaning ascribed by the Bank of Italy Supervisory Instructions (*Istruzioni di Vigilanza di Banca d'Italia*) which includes "all cash credits due from parties that are in a state of insolvency, even if the state of insolvency has not been declared by a court, or in substantially equivalent situations".

The Network is entitled to reschedule the amortization plans in case of non-payment which is temporarily not remediable.

3. RECOVERY PROCEDURES

The recovery procedures for loans are carried out by Recovery Area (*Area Recupero Crediti-ARC*) put in place all the steps, whether by means of judicial channels or extra-judicial channels, which are necessary for recovery of the credit, including the possibility of write-offs or waiving actions against the debtors.

With reference to the portfolios managed by ARC, ARC draws up periodical reports related to collection activity; moreover ARC makes specific business plans for each loan under management which are subject to internal approval process. Internal auditing can in any case carry out the audits and examinations pertaining to their institutional role with ARC.

The non performing loan management consist in these activities:

(a) if there are enforceable assets (*attivi aggredibili*):

- ARC assesses, studies and takes action for out-of-court recovery;
- ARC takes suitable legal action to collect amounts due acquiring a security interest over the assets of the debtor/guarantor(s) or petitioning for the bankruptcy of the party, if the latter is subject to bankruptcy.

(b) if there are no enforceable assets:

- ARC assesses, studies and takes action for out-of-court recovery;
- ARC outsources recovery to external companies for recoveries indicatively involving less than € 150,000.00;
- If despite the above-mentioned actions the credit does not appear recoverable, ARC proposes to be written off.

4. ACTIONS TO IMPROVE CREDIT QUALITY

Starting from October 2009, the Credit Department implemented various initiatives in the aim of reviewing and improving the loan management policies at local level. The retail

division developed and revised the operational instructions for branch managers who were asked to motivate clients to settle late payments or to adhere to the anti credit crunch product ("*Combatti la crisi*") in the case of temporary difficulties.

After 30 March 2013 the anti credit crunch product "*Combatti la crisi*" is not available any more but a suspension, aiming to manage temporary debtor difficulties, can be offered to borrowers by the relative branch who will evaluate the overall position of the borrower. BMPS has acceded to the suspension of credit to retail counterparts in 2015 (*Accordo per la sospensione del credito alle Famiglie*). The agreement runs until the end of 2017.

THE GUARANTOR

Introduction

The Guarantor was incorporated in the Republic of Italy on 8 September 2009 pursuant to Law 130 as a limited liability company with a sole quotaholder (*società a responsabilità limitata con unico socio*) under the name "Meti Finance S.r.l." and changed its name into "MPS Covered Bond S.r.l." and modified its corporate object by the resolution of the meeting of the Guarantor Quotaholders held on 11 March 2010. The Guarantor is registered at the Companies' Registry of Treviso-Belluno under registration number 04323680266. The registered office of the Guarantor is at Conegliano (TV) – Italy - Via V. Alfieri, 1, 31015 and its telephone number is 0039 0438 360926. The Guarantor has no employees and no subsidiaries. The Guarantor's by-laws provides for the termination of the same in 31 December 2100 subject to one or more extensions to be resolved, in accordance with the by-laws, by a Quotaholders's resolution.

Principal Activities

The sole purpose of the Guarantor under the objects clause in its by-laws is the ownership of the Cover Pool and the granting to Bondholders of the Guarantee. From the date of its incorporation the Guarantor has not carried out any business activities nor has incurred in any financial indebtedness other than those incurred in the context of the Programme.

Quota Capital

The outstanding capital of the Guarantor is Euro 10,000.00 divided into quotas as described below. As at the date of this Prospectus, the quotaholders of the Guarantor are as follows:

Quotaholders	**Quota**
SVM Securitisation Vehicles Management S.r.l.[11]	Euro 1,000.00 (10% of capital)
Banca Monte dei Paschi di Siena S.p.A.	Euro 9,000.00 (90% of capital)

The Guarantor has not declared or paid any dividends or, save as otherwise described in this Prospectus, incurred any indebtedness.

Management

Board of Directors

The following table sets out certain information regarding the current members of the Board of Directors of the Guarantor.

Name	**Position**	**Principal activities performed outside the Guarantor**
Franco Cecchi	Chairman of the Boards of Directors and Managing Director	Franco Cecchi, head of Special Purpose Loand and Securitisation Department of Banca Monte dei Paschi di Siena S.p.A..
Andrea Fantuz	Director and Managing Director	Andrea Fantuz, Analyst of Finanziaria

[11] Whose 100% is held by Stichting Cima. Stichting Cima is a Dutch foundation, whose sole director is Intertrust (Netherlands) B.V.

Tamara Haegi	Director and Managing Director	Internazionale Securitisation Group S.p.A. Tamara Haegi, Head of Capital & Portfolio Management Department of Banca Monte dei Paschi di Siena S.p.A.

The business address of the Board of Directors of the Guarantor is Via V. Alfieri, 1, 31015 Conegliano (TV), Italy.

Board of Statutory Auditors

Under the Quotaholder's Agrement, the quotaholder's meeting will appoint the controlling body (The Statutory Auditors or the Issuer's Sole Statutory Auditor).

If, at any time, a Board of Statutory Auditors shall be appointed, it shall be composed of three members which shall appointed as follows: one by SVM Securitisation Vehicles Management S.r.l. and two by BMPS (designated one by BMPS and one by SVM Securitisation Vehicles Management S.r.l.). The chairman of the Board of Statutory Auditors shall be one the members appointed by BMPS.The appointment of the Sole Statutory Auditor will be compliant with the italian legislation.

A Sole Statutory Auditor has been appointed by the quotaholder's meeting.

Conflict of Interest

There are no potential conflicts of interest between any duties of the directors of the Guarantor and their private interests or other duties.

The Quotaholders' Agreement

Pursuant to the term of the Quotaholders' Agreement entered into on or about the date of this Prospectus, between BMPS, SVM Securitisation Vehicles Management S.r.l. and the Representative of the Bondholders, the Quotaholders have agreed, inter alia, not to amend the by-laws (statuto) of the Guarantor and not to pledge, charge or dispose of the quotas (save as set out below) of the Guarantor without the prior written consent of the Representative of the Bondholders. The Quotaholders' Agreement is governed by, and will be construed in accordance with, Italian law.

Please also see section "Description of the Programme Documents - The Quotaholders' Agreement" below.

Financial Statements

The financial year of the Guarantor ends on 31 December of each calendar year.

Mr. Alberto De Luca, enrolled under number 148374 in the register of statutory auditors (*Albo dei Revisori Legal*i) pursuant to Ministerial Decree dated 6.11.2007 (published in the Official Gazette of the Republic of Italy number 92 of 20.11.2007) and enrolled in the National Counsel of Certified Public Accountants (*Consiglio Nazionale dei Dottori Commercialisti e Esperti Contabili*), whose offices are at Via Vittorio Alfieri 1, 31015 Conegliano (Treviso) Italy, has been appointed to perform the audit of the financial statements of the Guarantor for the period between the end of its first financial year (31 December 2009) and the end of its second financial year (31 December 2010).

KPMG S.p.A. has been appointed on 27 April 2011. KPMG S.p.A. has performed the audit of the financial statements of the Guarantor for the period between the year ended on 31 December 2011 and the year ended on 31 December 2012.

Reconta Ernst & Young S.p.A., with registered office at Via Po 32, 00198, Rome, Italy and authorized and regulated by the MEF and registered on the special register (of auditing firms held by MEF, has been appointed on 13 April 2016 to perform the audit of the financial statements of the Guarantor for the period between the year ended on 31 December 2016 and the year ended on 31 December 2018.

The Guarantor has not, from the end of its first financial year (31 December 2009), carried out any business activities nor has incurred in any financial indebtedness (other than those incurred in the context of the Programme). Nevertheless, in accordance with Italian law (requiring all companies to approve a balance sheet within a specified period from the end of each financial year), the Guarantor has prepared its financial statements for the period between the end of its first financial year (31 December 2009) and the end of its seventh financial year (31 December 2015).

The financial statement of the Guarantor for the year ended on 31 December 2015 (the end of its seventh financial year), as approved by the meeting of the quotaholders of the Guarantor on 13 April 2016, is incorporated by reference to this prospectus (see section headed "Documents incorporated by reference" above).

BMPS Group

On 7 May 2010, the Bank of Italy has authorised the purchase by the Issuer of 90% of the quota capital of the Guarantor. The Guarantor is consolidated in the BMPS Group as it is reported in the financial statements as at 31 December 2015. For further information on the BMPS Group, please refer to paragraph "*Banca Monte dei Paschi di Siena S.p.A.*" above.

DESCRIPTION OF THE PROGRAMME DOCUMENTS

GUARANTEE

On 18 June 2010, the Guarantor and the Representative of the Bondholders entered into the Guarantee, as amended and restated from time to time, pursuant to which the Guarantor issued, for the benefit of the Bondholders, a first demand, unconditional, irrevocable and independent guarantee to support payments of interest and principal under the Covered Bonds issued by the Issuer under the Programme and of the amounts due to the Other Guarantor Creditors. Under the Guarantee the Guarantor has agreed to pay an amount equal to the Guaranteed Amounts when the same shall become Due for Payment but which would otherwise be unpaid by the Issuer. The obligations of the Guarantor under the Guarantee constitute direct and (following the occurrence of an Issuer Event of Default and the service of a Guarantee Enforcement Notice on the Issuer and the Guarantor or, if earlier, the service on the Issuer and the Guarantor of a Guarantor Default Notice) unconditional, unsubordinated and limited recourse obligations of the Guarantor, backed by the Cover Pool as provided under Law 130, Decree No. 310 and the Bank of Italy Regulations. Pursuant to the terms of the Guarantee, the recourse of the Bondholders to the Guarantor under the Guarantee will be limited to the assets of the Cover Pool. Payments made by the Guarantor under the Guarantee will be made subject to, and in accordance with, the relevant Priority of Payments, as applicable.

Under the Guarantee the parties thereof have agreed that as of the date of administrative liquidation (*liquidazione coatta amministrativa*) of the Issuer, the Guarantor (or the Representative of the Bondholders pursuant to the Intercreditor Agreement) shall exercise, on an exclusive basis and in compliance with the provisions of article 4 of the Decree No. 310, the rights of the Bondholders against the Issuer and any amount recovered from the Issuer will be part of the Guarantor Available Funds.

The Guarantor, pursuant to the Guarantee, shall pay or procure to be paid to the Bondholders:

(a) without prejudice to the effects of a suspension of payments by the Issuer pursuant to article 74 of the Consolidated Banking Act and under article 4, sub-paragraph 4, of Decree No. 310, following the service of a Guarantee Enforcement Notice on the Issuer and on the Guarantor (but prior to a Guarantor Event of Default), on each Guarantor Payment Date that falls on an Interest Payment Date, an amount equal to those Guaranteed Amounts which shall become Due for Payment, but which have not been paid by the Issuer to the relevant Bondholders on the relevant Interest Payment Date; or

(b) following the service of a Guarantor Default Notice on the Guarantor in respect of the Covered Bonds of each Series or Tranche (which shall have become immediately due and repayable), the Guaranteed Amounts.

All payments of Guaranteed Amounts by or on behalf of the Guarantor shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or other governmental charges of whatever nature unless such withholding or deduction of such taxes, assessments or other governmental charges is required by law or regulation or administrative practice of any jurisdiction. If any such withholding or deduction is required, the Guarantor shall pay the Guaranteed Amounts net of such withholding or deduction and shall account to the appropriate tax authority for the amount required to be

withheld or deducted. The Guarantor shall not be obliged to pay any amount to any Bondholder in respect of the amount of such withholding or deduction.

To the extent that the Guarantor makes, or there is made on its behalf, a payment of any amount under the Guarantee, the Guarantor will be fully and automatically subrogated to the Bondholders' rights against the Issuer for the payment of an amount corresponding to the payments made by the Guarantor with respect to the relevant Series or Tranche of Covered Bonds under this Guarantee, to the fullest extent permitted by applicable law.

Governing law

The Guarantee and any non-contractual obligations arising out of or in connection with it are governed by Italian law.

SUBORDINATED LOAN AGREEMENTS

Each of BMPS and BAV, respectively on 25 May 2010 and on 27 May 2011 entered into with the Guarantor the respective Subordinated Loan Agreements, as amended and restated from time to time, pursuant to article 7-*bis* of Law 130 under which each of BMPS and BAV, acting respectively as Principal Subordinated Lender and Additional Subordinated Lender, granted to the Guarantor a term loan facility in an aggregate amount equal to the relevant Total Commitment, increased by any amount required to meet the Tests, for the purposes of (a) funding the purchase price of the Eligible Assets and/or (b) funding the purchase of Top-Up Assets or other Eligible Assets pursuant to the terms of the Master Asset Purchase Agreement and the Cover Pool Management Agreement.

Following the merger by way of incorporation of Banca Antonveneta S.p.A. ("**BAV**") in BMPS with effect as of 28 April 2013 (the "**Merger**") BMPS assumed all rights and obligations of BAV in the capacity as Additional Subordinated Lender under the Programme and any reference to BAV in the Programme Documents shall be deemed to be referred to BMPS, which takes over any and all activities and roles previously carried out by BAV.

Under the terms of the Subordinated Loan Agreements, the Principal Seller and the Additional Seller, in their capacity, respectively, as Principal Subordinated Lender and Additional Subordinated Lender, will from time to time grant to the Guarantor Term Loans in the form of (i) a Programme Term Loan, or (ii) a Floating Interest Term Loan, or (iii) a Fixed Interest Term Loan.

Each Programme Term Loan will be granted for the purpose of, *inter alia*, (i) funding the purchase price of the Eligible Assets included in the Initial Portfolio and in any New Portfolios to be transferred to the Guarantor pursuant to the Master Assets Purchase Agreement, and/or (ii) remedying any breach of the Tests and complying with the 15% Limit with respect to the Top-Up Assets, and/or (iii) funding the purchase price of the Eligible Assets and Top-Up Assets to be transferred to the Guarantor pursuant to the Master Assets Purchase Agreement for overcollateralization purposes and/or funding the redemption of a Floating Interest Term Loan or Fixed Interest Term Loan at the Maturity Date (or Extended Maturity Date, if applicable) of the Corresponding Series or Tranche of Covered Bonds.

Each Floating Interest Term Loan or Fixed Interest Term Loan will be granted for the purpose of, *inter alia*, (i) funding the purchase price of the Eligible Assets included in any New Portfolios to be transferred to the Guarantor in connection with the issue of a

Corresponding Series or Tranche of Covered Bonds to be issued under the Programme, and/or (ii) reimbursing (also in part) any Term Loan for an amount equal to the Corresponding Series or Tranche of Covered Bonds.

The rate of interest applicable (x) in respect of each Programme Term Loan for each relevant Loan Interest Period shall be equal to EURIBOR plus a Margin (the "**Base Interest**") and shall be payable to each relevant Subordinated Lender, together with a Premium (if any), on each Guarantor Payment Date in accordance with the applicable Priority of Payments; and (y) in respect of each Floating Interest Term Loan or Fixed Interest Term Loan for each relevant Loan Interest Period shall be equal to the interest computed under the Corresponding Series or Tranche of Covered Bonds (the "**Corresponding Interest**") and shall be payable to each relevant Subordinated Lender on each Guarantor Payment Date following the Guarantor Calculation Date which falls after an Interest Payment Date of the Corresponding Series or Tranche of Covered Bonds in accordance with the applicable Priority of Payments. No Premium shall be payable on the Floating Interest Term Loan(s) or Fixed Interest Term Loan(s), provided that following the delivery of Breach of Tests Notice no payment of interest under any Term Loan shall be made by the Guarantor to the Subordinated Lender.

Each Term Loan shall be repaid on each Guarantor Payment Date prior to a Guarantee Enforcement Notice according to the relevant Priority of Payments and within the limits of the then Guarantor Available Funds, provided that such repayment does not result in a breach of any of the Tests and provided that no Breach of Tests Notice has been delivered.

Each Programme Term Loan, unless repaid in full prior to such date, shall be repaid on the Maturity Date or the Extended Maturity Date, if applicable, of the latest maturing Series of Covered Bonds within the limits of the then Guarantor Available Funds and in accordance with the relevant Priority of Payments.

Each Floating Interest Term Loan or Fixed Interest Term Loan, unless repaid in full prior to such date, shall be repaid, in full or in part, starting from the Guarantor Payment Date falling after the Maturity Date (or, as applicable, the Extended Maturity Date) of the Corresponding Series of Covered Bonds and thereafter on any Guarantor Payment Date, and shall be payable within the limits of the then Guarantor Available Funds and in accordance with the relevant Priority of Payments.

Under the Subordinated Loan Agreements, the parties thereof have agreed that in the event that the Principal Subordinated Lender and the Additional Subordinated Lender's rating fall below "BBB(low)" by DBRS, "BBB-" by Fitch and "Baa3" by Moody's, unless previously repaid in full in accordance with the terms of the Subordinated Loan Agreements, (i) each Programme Term Loan shall be due for repayment on the date falling six months after the Maturity Date or, as applicable, the Extended Maturity Date, of the last maturing Series or Tranche of Covered Bonds issued under the Programme (unless the early redemption of the Programme Term Loan is necessary for the purpose of complying with the 15% Limit in accordance with the provisions of Decree 310 and the Bank of Italy Regulations (and to the extent that no purchase of Eligible Assets is possible to this effect the provisions of the Master Assets Purchase Agreement), in accordance with the relevant Priority of Payments; and (ii) each Floating Interest Term Loan or Fixed Interest Term Loan shall be due for repayment, in full or in part, starting from the Guarantor Payment Date falling six months after the Maturity Date or, as applicable, the Extended Maturity Date, of the Series or Tranche of Covered Bonds issued in connection with the relevant Floating Interest Term Loan or Fixed Interest Term Loan and thereafter on each Guarantor Payment Date (unless the

early redemption of the Floating Interest Term Loan or Fixed Interest Term Loan is necessary for the purpose of complying with the 15% Limit in accordance with the provisions of Decree 310 and the Bank of Italy Regulations (and to the extent that no purchase of Eligible Assets is possible to this effect the provisions of the Master Assets Purchase Agreement a), in accordance with the relevant Priority of Payments,.

Amounts owed to each Subordinated Lender by the Guarantor under the Subordinated Loan Agreements will be subordinated to amounts owed by the Guarantor under the Covered Bond Guarantee.

Governing law

The Subordinated Loan Agreements and any non-contractual obligations arising out of or in connection with them are governed by Italian law.

MASTER ASSETS PURCHASE AGREEMENT

On 25 May 2010, BMPS and the Guarantor entered into the Master Assets Purchase Agreement, as amended and restated from time to time in accordance with the combined provisions of articles 4 and 7-*bis* of Law 130, pursuant to which BMPS, in its capacity as Principal Seller, assigned and transferred, without recourse (*pro soluto*), to the Guarantor and the Guarantor purchased, without recourse (*pro soluto*), the Assets comprised in the Initial Portfolio.

On 27 May 2011, BAV acceded, in its capacity as Additional Seller, to the Master Assets Purchase Agreement pursuant to which assigned and transferred, without recourse (*pro soluto*), to the Guarantor and the Guarantor purchased, without recourse (*pro soluto*), a New Portfolio of Assets. Following the Merger, BMPS assumed all rights and obligations of BAV in the capacity as Additional Seller under the Programme and any reference to BAV in the Programme Documents shall be deemed to be referred to BMPS, which takes over any and all activities and roles previously carried out by BAV.

Under the Master Assets Purchase Agreement, upon satisfaction of certain conditions set out therein, each of BMPS and BAV (i) undertook to assign and transfer in the future, without recourse (*pro soluto*), to the Guarantor and the Guarantor undertook to purchase in the future, without recourse (*pro soluto*) from BMPS and BAV, New Portfolios if such transfer is required under the terms of the Cover Pool Management Agreement in order to ensure the compliance of the Cover Pool with the Tests and with the 15% Limit with respect to the Top-Up Assets; and (ii) may transfer New Portfolios to the Guarantor, and the Guarantor shall purchase from BMPS and BAV such New Portfolios, in order to supplement the Cover Pool in connection with the issuance by BMPS and BAV of further Series or Tranches of Covered Bonds under the Programme in accordance with the Programme Agreement.

Pursuant to the Master Assets Purchase Agreement, the Guarantor further undertook to purchase any New Portfolios transferred from time to time by any other eligible bank part of the Montepaschi Group which will accede to the Programme as Additional Seller.

Prior to the occurrence of a Guarantor Event of Default, Portfolios may only be offered or purchased if the following conditions are satisfied:

(a) the First Series of Covered Bonds (or, as the case may be, the Series of Covered Bonds immediately preceding the assignment of such Portfolios) has been issued and fully subscribed;

(b) a Guarantor Default Notice has not been served on the Guarantor;

(c) with respect to any assignment (i) of Top-Up Assets by the relevant Seller(s) in order to supplement the Cover Pool against the issuance of further Series or Tranche of Covered Bonds, or (ii) made in order to comply with the 15% Limit with respect to the Top-Up Assets, (A) the Guarantor has received from the relevant Seller(s) the amounts due under the relevant Subordinated Loan Agreement for the payment of the purchase price relating to the assigned Portfolios and (B) no Insolvency Event in respect of the relevant Seller(s) occurred;

(d) with respect to any assignment made to invest Principal Available Funds, which are in excess of the Tests, in Eligible Assets or Top-Up Assets, a Guarantor Breach of Tests Notice or a Guarantee Enforcement Notice has not been served on the Guarantor and/or the Issuer, as the case may be, and sufficient Principal Available Funds are available at each relevant Execution Date;

(e) such transfer will not result in a breach of any requirements of law (including, but not limited to, Law 130, Decree No. 310 and the Bank of Italy Regulations), including compliance of the Cover Pool with the 15% Limit with respect to the Top-Up Assets in accordance with Decree No. 310 and the Bank of Italy Regulations.

The Initial Portfolio Purchase Price payable pursuant to the Master Assets Purchase Agreement is equal to the aggregate Purchase Price of all the Assets included in the Initial Portfolio.

The Purchase Price for the Receivable included in the Initial Portfolio was equal to the sum of the most recent book value (*ultimo valore di iscrizione in bilancio*) of the each Receivable (a) minus the aggregate amount of (i) the accrued interest as at 1 January 2010 (excluded) included in such book value with respect to each Receivable; and (ii) any collections with respect to principal received by the Principal Seller with respect to each Receivable included in the Initial Portfolio starting from 1 January 2010 (included) until the relevant Valuation Date (included); and (b) increased of the aggregate amount of the Accrued Interest of each Receivable included in the Initial Portfolio.

The purchase Price for the Receivables included in the second Portfolio, in the third Portfolio, in the fourth Portfolio, in the BAV Portfolio, in the fifth Portfolio and in the sixth Portfolio was equal to the sum of the Individual Purchase Price of all the Assets included in the relevant Portfolio at the relevant Valuation Date.

BMPS has sold to the Guarantor, and the Guarantor has purchased from BMPS, the Assets comprised in the Initial Portfolio, in the second Portfolio, in the third Portfolio, in the fourth Portfolio, in the fifth Portfolio and in the sixth Portfolio and BAV has sold to the Guarantor, and the Guarantor has purchased from BAV the BAV Portfolio which meet the Common Criteria (described in detail in the section headed "*Description of the Cover Pool*") and the relevant Additional Criteria. Receivables comprised in any New Portfolio to be transferred under the Master Assets Purchase Agreement shall meet, in addition to the Common Criteria, the relevant Specific Criteria and/or any Additional Criteria (both as defined below).

As consideration for the transfer of any New Portfolios, pursuant to the Master Assets Purchase Agreement, the Guarantor will pay to BMPS, or any Additional Seller(s) acceding to the Master Assets Purchase Agreement and the other relevant Programme Documents, an amount equal to the aggregate of the Purchase Price of all the relevant Receivables as at the relevant Valuation Date. The Purchase Price for each Asset included in each New Portfolio will be (X) with respect to each Receivable, the most recent book value (*ultimo valore di iscrizione in bilanci*o) of the relevant Receivable: (a) minus the aggregate amount of (i) the accrued interest obtained at the date of the last financial statement with reference to such Receivable and included in such book value; and (ii) any collections with respect to principal received by the relevant Seller with respect to such Receivable, starting from the date of the most recent financial statement (*ultimo bilancio*) until the relevant Valuation Date (included); and (b) increased of the aggregate amount of the Accrued Interest with respect to such Receivable obtained at the relevant Valuation Date; or (Y) such other value, pursuant to article 7-*bis*, sub-paragraph 7, of Law 130, as indicated by the Principal Seller (or each Additional Seller(s)) in the relevant Transfer Proposal (also with respect to any further Eligible Assets different from the Receivables or any Top-Up Assets).

Pursuant to the Master Assets Purchase Agreement, prior to the service of a Guarantee Enforcement Notice, BMPS and BAV will have the right to repurchase Assets, in accordance with articles 1260 and following of the civil code or in accordance with article 58 of the Consolidated Banking Act, as the case may be, transferred to the Guarantor under the Master Assets Purchase Agreement in the following circumstances:

(a) to purchase Delinquent Assets or Defaulted Assets;

(b) to purchase Excess Assets (to be selected on a random basis);

(c) to purchase Affected Assets;

(d) to purchase Assets which have became non-eligible in accordance with Decree No. 310;

(e) Receivables, not included under the Assets from (a) to (d) above, being subject to renegotiations with the relevant Debtor pursuant to the Master Servicing Agreement or which have become the object of judicial proceedings; and

(f) Receivables, not included under the Assets under point (a) above, in respect of which there are 6 unpaid Instalments (in respect of Receivables deriving from Mortgage Loans with monthly instalments), 2 unpaid Instalments (in respect of Receivables deriving from Mortgage Loans with quarterly instalments) or 1 unpaid Instalments (in respect of Receivables deriving from Mortgage Loans with semi-annual instalments).

If on any Test Calculation Date or Quarterly Test Calculation Date, as the case may be, a Test Performance Report specifies that the Cover Pool is not in compliance with the relevant Test, then the Principal Seller, (and/or any Additional Seller(s) in respect of each relevant New Portfolio transferred to the Guarantor will either (i) sell additional Eligible Assets and/or Top-Up Assets to the Guarantor for an amount sufficient to allow the relevant Test to be met on the next following Test Calculation Date as determined in the immediately following Test Performance Report, in accordance with the Master Assets Purchase Agreement and the Cover Pool Management Agreement, to be financed through the proceeds of Term Loans to be granted by the Principal Seller (and/or any Additional Seller(s)) or (ii) substitute any

relevant assets in respect of which the right of repurchase can be exercised under the terms of the Master Assets Purchase Agreement with new Eligible Assets, for an amount sufficient to allow the relevant Test to be met on the next following Test Calculation Date as determined in the immediately following Test Performance Report.

After the service of a Guarantee Enforcement Notice on the Guarantor, but prior to service of a Guarantor Default Notice, the Guarantor may or shall, if necessary in order to effect timely payments under the Covered Bonds, sell Selected Assets included in the Cover Pool in accordance with the terms of the Cover Pool Management Agreement and BMPS, or any Additional Seller(s), as the case may be, has the right of pre-emption to buy such Selected Assets.

The transfer of the Initial Portfolio was made in accordance with article 58, subsections 2, 3 and 4 of the Consolidated Banking Act (as provided by article 4 of Law 130). Notice of the transfer was published in the Official Gazette of the Republic of Italy (*Gazzetta Ufficiale della Repubblica Italiana*) Parte II, number 63 of 29 May 2010 and filed for publication in the companies register of Treviso on 03 June 2010.

The transfer of the second Portfolio was made in accordance with article 58, subsections 2, 3 and 4 of the Consolidated Banking Act (as provided by article 4 of Law 130). Notice of the transfer was published in the Official Gazette of the Republic of Italy (*Gazzetta Ufficiale della Repubblica Italiana*) Parte II, number 143 of 2 December 2010 and filed for publication in the companies register of Treviso on 1 December 2010.

The transfer of the third Portfolio was made in accordance with article 58, subsections 2, 3 and 4 of the Consolidated Banking Act (as provided by article 4 of Law 130). Notice of the transfer was published in the Official Gazette of the Republic of Italy (*Gazzetta Ufficiale della Repubblica Italiana*) Parte II, number 25 of 3 March 2011 and filed for publication in the companies register of Treviso on 1 March 2011.

The transfer of the BAV Portfolio was made in accordance with article 58, subsections 2, 3 and 4 of the Consolidated Banking Act (as provided by article 4 of Law 130). Notice of the transfer was published in the Official Gazette of the Republic of Italy (*Gazzetta Ufficiale della Repubblica Italiana*) Parte II, number 63 of 4 June 2011 and filed for publication in the companies register of Treviso on 7 June 2011.

The transfer of the fourth Portfolio was made in accordance with article 58, subsections 2, 3 and 4 of the Consolidated Banking Act (as provided by article 4 of Law 130). Notice of the transfer was published in the Official Gazette of the Republic of Italy (*Gazzetta Ufficiale della Repubblica Italiana*) Parte II, number 111 of 24 September 2011 and filed for publication in the companies register of Treviso on 23 September 2011.

The transfer of the fifth Portfolio was made in accordance with article 58, subsections 2, 3 and 4 of the Consolidated Banking Act (as provided by article 4 of Law 130). Notice of the transfer was published in the Official Gazette of the Republic of Italy (*Gazzetta Ufficiale della Repubblica Italiana*) Parte II, number 73 of 22 June 2013 and filed for publication in the companies register of Treviso on 25 June 2013.

The transfer of the sixth Portfolio was made in accordance with article 58, subsections 2, 3 and 4 of the Consolidated Banking Act (as provided by article 4 of Law 130). Notice of the transfer was published in the Official Gazette of the Republic of Italy (*Gazzetta Ufficiale*

della Repubblica Italiana) Parte II, number 110 of 24 September 2015 and filed for publication in the companies register of Treviso on 22 September 2015.

For further details about the Cover Pool, see section headed "*Description of the Cover Pool*".

Governing law

The Master Assets Purchase Agreement and any non-contractual obligations arising out of or in connection with it are governed by Italian law.

WARRANTY AND INDEMNITY AGREEMENT

On 25 May 2010, BMPS, in its capacity as Principal Seller and the Guarantor entered into the Warranty and Indemnity Agreement, as amended and restated from time to time, pursuant to which BMPS has given certain representations and warranties in favour of the Guarantor in respect of, *inter alia*, itself, the Eligible Assets and the Top-Up Assets and certain other matters in relation to the issue of the Covered Bonds and has agreed to indemnify the Guarantor in respect of certain liabilities of the Guarantor that may be incurred, *inter alia*, in connection with the purchase and ownership of the Assets.

The Warranty and Indemnity Agreement contains representations and warranties given by BMPS as to matters of law and fact affecting BMPS including, without limitation, that BMPS validly exists as a legal entity, has the corporate authority and power to enter into the Programme Documents to which it is party and assume the obligations contemplated therein and has all the necessary authorisations for such purpose.

Pursuant to the Warranty and Indemnity Agreement, the Principal Seller (and each Additional Seller) has agreed to indemnify and hold harmless the Guarantor, its officers or agents or any of its permitted assigns from and against any and all damages, losses, claims, costs and expenses awarded against, or incurred by such parties which arise out of or result from, *inter alia*, (a) a default by BMPS in the performance of any of its obligations under any Programme Document to which it is a party; (b) any representation and warranty given by BMPS under or pursuant to the Warranty and Indemnity Agreement being false, incomplete or incorrect; (c) any alleged liability and/or claim raised by any third party against the Guarantor, as owner of the Receivables, which arises out of any negligent act or omission by BMPS in relation to the Receivables, the servicing and collection thereof or from any failure by BMPS to perform its obligations under any of the Programme Documents to which it is, or will become, a party; (d) the non compliance of the terms and conditions of any Mortgage Loan with the provisions of article 1283 of the Civil Code; (e) the fact that the validity or effectiveness of any security, pledge, collateral or other security interest, relating to the Mortgage Loans, has been challenged by way of claw-back (*azione revocatoria*) or otherwise, including, without limitation, pursuant to article 67 of the Bankruptcy Law; (f) any amount of any Receivable not being collected or recovered by the Guarantor as a consequence of the proper and legal exercise by any Debtor and/or insolvency receiver of a Debtor of any grounded right to termination, annullability or withdrawal, or other claims and/or counterclaims, including set off, against BMPS in relation to each Mortgage Loan Agreement, Mortgage Loan, Mortgage, Collateral Security and any other connected act or document, including, without limitation, any claim and/or counterclaim deriving from non compliance with the Usury law provisions in the granting of the Mortgage Loan.

Governing law

The Warranty and Indemnity Agreement any non-contractual obligations arising out of or in connection with it are governed by Italian law.

MASTER SERVICING AGREEMENT

On 25 May 2010, BMPS, in its capacity as Principal Servicer, and the Guarantor entered into the Master Servicing Agreement, as amended and restated from time to time, pursuant to which (i) the Guarantor has appointed BMPS as Principal Servicer to carry out the administration, management, collection and recovery activities relating to the Assets comprised in each portfolio to be transferred in accordance with the Master Assets Purchase Agreement and to act as "*soggetto incaricato della riscossione dei crediti ceduti e dei servizi di cassa e di pagamento*" pursuant to article 2, sub-paragraph 3, of Law 130, and (ii) have agreed, in case an Additional Seller will enter into the Programme, the terms of the appointment of such Additional Seller to act as Additional Servicer in relation to the administration, management and collection activities related to the Assets forming part of each New Portfolio transferred to the Guarantor by such Additional Seller.

On 27 May 2011, BAV, in its capacity as Additional Seller, acceded to the Master Servicing Agreement in its capacity as Additional Servicer. Following the Merger, BMPS assumed all rights and obligations of BAV in the capacity as Additional Servicer under the Programme and any reference to BAV in the Programme Documents shall be deemed to be referred to BMPS, which takes over any and all activities and roles previously carried out by BAV.

The receipt of the Collections is the responsibility of the Principal Servicer and further to the relevant accession to the Master Servicing Agreement, of the relevant Additional Servicer(s), acting as agent (*mandatario*) of the Guarantor. Under the Master Servicing Agreement, the relevant Servicer shall (i) credit to the relevant collection account any and all Collections related to the relevant Assets within the Business Day immediately following receipt, and (ii) starting from the Issue Date of the first Series or Tranche of Covered Bonds, within one Business Day from the day on which the relevant Collections have been credited to the collection account, will credit the relevant amounts to the Main Programme Account.

The Servicer will also be responsible for carrying out, on behalf of the Guarantor, in accordance with the Master Servicing Agreement and the Credit and Collection Policy, any activities related to the management, enforcement and recovery of the Defaulted Receivables and Delinquent Receivables. The Servicer may sub-delegate to one or more entities, further activities in addition to those indicated in sup-paragraph (i) above, subject to the limitations set out in the supervisory regulations and with the prior written notice to the Guarantor, the Representative of the Bondholders and the Rating Agencies, provided that such sub-delegation does not prejudice the compliance by the Servicer with its obligations under the Master Servicing Agreement. The Servicer shall remain fully liable vis-à-vis the Guarantor for the performance of any activity so delegated.

The Servicer has been authorised, prior to a breach of the Tests and serving of a Breach of Tests Notice and/or Guarantee Enforcement Notice to the Issuer and Guarantor, to reach with the Debtors any settlement agreements or payment extensions or moratorium or similar arrangements (including any renegotiation in relation to the interest rates and margins), in accordance with the provisions of the Credit and Collection Policy.

Following (i) a breach of the Tests and until such breach is continuing, or (ii) the delivery to the Guarantor and Issuer of a Guarantee Enforcement Notice and/or Breach of Tests Notice, the Servicer will not be authorised to reach with any Debtors, to grant any release with respect to the Receivables or enter into any amendment to the Mortgage Loan Agreements, save where required by any applicable laws or expressly authorised by the guarantor and prior notice of the relevant amendment to the Rating Agencies.

The Principal Servicer, in relation to its servicing activities pursuant to the Master Servicing Agreement, has confirmed its willingness to be the autonomous holder (*titolare autonomo del trattamento dei dati personali*) together with the Guarantor, for the processing of personal data in relation to the Receivables, pursuant to the Privacy Law and to be responsible, in such capacity, for processing such data.

The Servicer has represented to the Guarantor that it has all skills, software, hardware, information technology and human resources necessary to comply with the efficiency standards required by the Master Servicing Agreement.

The Principal Servicer has undertaken to prepare and deliver to, *inter alios*, the Guarantor, the Asset Monitor, the Swap Counterparties, the Representative of the Bondholders, the Principal Paying Agent, the Guarantor Corporate Servicer, the Back-Up Servicer Facilitator and the Rating Agencies the Monthly Servicer's Report Date and the Quarterly Servicer's Report Date.

Upon accession to the Master Servicing Agreement (i) each Additional Servicer(s) will prepare and deliver to the Principal Servicer its Servicer's Report substantially in the form of the Monthly Servicer's Report Date or the Quarterly Servicer's Report Date, provided that such reports will be prepared and delivered with respect to each relevant New Portfolio which will be assigned and transferred by each Additional Servicer, in its capacity as Additional Seller, in the context of the Programme pursuant to the relevant Master Assets Purchase Agreement, and (ii) upon receipt from each Additional Servicer of the respective Servicer's Report, the Principal Servicer will prepare and deliver to, *inter alios*, the Guarantor, the Asset Monitor, the Swap Counterparties, the Representative of the Bondholders, the Principal Paying Agent, the Guarantor Corporate Servicer, the Back-Up Servicer Facilitator and the Rating Agencies, the Servicer's Report which includes also the information contained in the Servicer's Reports prepared by the Additional Servicer.

On 3 April 2012, the Guarantor has appointed Securitisation Services S.p.A. as Back-up Servicer Facilitator, and Securitisation Services S.p.A. has accepted such appointment and has acceded to the Servicing Agreement. Upon the rating of the Servicer's long term unguaranteed, unsubordinated and unsecured obligation would have fallen below Baa3 by Moody's and/or "BBB-" from Fitch, (i) the Back-up Servicer Facilitator would have used its best effort to identify an entity suitable to act as back-up servicer in accordance with the Servicing Agreement (the "**Back-up Servicer**") and (ii) the Guarantor, subject to prior consultation with the Principal Servicer and the Representative of the Bondholders, would have appointed such Back-up Servicer within 45 days from the above mentioned downgrading.

On 18 October 2012, the long term rating of the Principal Servicer's unsecured, unsubordinated and unguaranteed debt obligations has fallen below "Baa3" by Moody's.

Further to the extensions of the timing provided for under the Master Servicing Agreement, on 8 April 2013, the Guarantor appointed a Back-up Servicer which has been indentified in Securitisation Services.

The Back-up Servicer would automatically succeed to the Servicer upon termination or resignation of the Servicer pursuant to the Servicing Agreement.

The Guarantor may terminate the Servicer's appointment and appoint a successor servicer (the "**Substitute Servicer**") if certain events occur (each a "**Servicer Termination Event**"). The Servicer Termination Events include, *inter alia*, the following events:

(a) failure on the part of the relevant Servicer(s) to deposit or pay any amount required to be paid or deposited which failure continues for a period of 7 Business Days following receipt by the Servicer of a written notice from the Guarantor requiring the relevant amount to be paid or deposited;

(b) failure on the part of the relevant Servicer(s) to observe or perform any other term, condition, covenant or agreement provided for under the Master Servicing Agreement and the other Programme Documents to which it is a party, and the continuation of such failure for a period of 10 Business Days following receipt by the relevant Servicer(s) of written notice from the Guarantor, provided that a failure ascribable to any entities delegated by the Servicer in accordance with the Master Servicing Agreement shall not constitute a Servicer Termination Event unless in case of failure on the part of the Servicer itself;

(c) an Insolvency Event occurs with respect to the Servicer;

(d) it becomes unlawful for the relevant Servicer(s) to perform or comply with any of its obligations under the Master Servicing Agreement or the other Programme Documents to which it is a party;

(e) the Servicer is or will be unable to meet the current or future legal requirements and the Bank of Italy's regulations for entities acting as servicers in the context of a covered bonds transaction.

Notice of any termination of the Servicer's appointment shall be given in writing, in accordance with the provisions of the Master Servicing Agreement, by the Guarantor to the Servicer with the prior agreement of the Representative of the Bondholders and shall be effective from the date of such termination or, if later, when the appointment of a Substitute Servicer becomes effective.

The Guarantor may, upon the occurrence of a Servicer Termination Event, appoint as Substitute Servicer any person who, *inter alia*:

(a) meets the requirements of Law 130 and the Bank of Italy to act as Servicer;

(b) has at least three years of experience (whether directly or through subsidiaries) in the administration of mortgage loans in Italy;

(c) has available and is able to use software for the administration of mortgages compatible with that of the Servicer;

(d) has direct access and is able to use professionally, in the carrying out of the administration of the loans, software and hardware utilities which are compatible with those used until the revocation by the relevant Servicer(s) and, in any case, who has access to proper technologies and human resources for the carrying out of the relevant collection and recovery activities relating to the Receivables and the proceeds deriving from the Asset Backed Securities, and perform all other obligations in compliance with the standards provided by the Master Servicing Agreement and the Bank of Italy supervisory regulations (*Istruzioni di Vigilanza della Banca d'Italia*); and

(e) has sufficient assets to ensure the continuous and effective performance of its duties.

Pursuant to the Master Servicing Agreement the Servicer shall not be entitled to resign from its appointment as Servicer prior to the Expiry Date.

Governing law

The Master Servicing Agreement any non-contractual obligations arising out of or in connection with it are governed by Italian law.

CASH ALLOCATION, MANAGEMENT AND PAYMENTS AGREEMENT

On 18 June 2010, the Issuer, Italian Account Bank, Pre-Issuer Default Test Calculation Agent, Principal Seller, Principal Servicer, Principal Subordinated Lender, Guarantor, English Account Bank, Cash Manager, Principal Paying Agent, Italian Back-Up Account Bank, English Back-Up Account Bank, Payments Account Bank, Guarantor Calculation Agent, Guarantor Corporate Servicer, Post-Issuer Default Test Calculation Agent, and Representative of the Bondholders entered into the Cash Allocation, Management and Payments Agreement, as amended and restated from time to time.

On 27 May 2011, BAV, in its capacity as Additional Seller, Additional Servicer and Additional Subordinated Lender, acceded the Cash Allocation, Management and Payments Agreement.

Under the terms of the Cash Allocation, Management and Payments Agreement, *inter alia*:

(i) the Guarantor has appointed (i) BMPS as Italian Account Bank and, until the delivery of a Guarantee Enforcement Notice in accordance with the Programme Documents, Pre-Issuer Default Test Calculation Agent; (ii) Banca Monte dei Paschi di Siena S.p.A., acting through its London Branch, as Cash Manager; (iii) The Bank of New York Mellon (Luxembourg) S.A., Italian Branch as Payments Account Bank and Italian Back-Up Account Bank and, from the date on which a Guarantee Enforcement Notice has been delivered in accordance with the Programme Documents, Principal Paying Agent; (iv) The Bank of New York Mellon S.A./N.V., London Branch, English Back-Up Account Bank and (v) Securitisation Services S.p.A. as Guarantor Calculation Agent and, from the date on which a Guarantee Enforcement Notice has been delivered in accordance with the Programme Documents, Post-Issuer Default Test Calculation Agent;

(ii) the Issuer has appointed The Bank of New York Mellon (Luxembourg) S.A., Italian Branch as Principal Paying Agent until the delivery of a Guarantee Enforcement Notice;

(iii) the Italian Account Bank has agreed to establish and maintain, in the name and on behalf of the Guarantor, the Italian Collection Account, the Italian Securities Collection Account, the Expenses Account and Eligible Investments Securities Account and to provide the Guarantor with certain reporting services together with account handling services in relation to monies from time to time standing to the credit of such accounts. In addition the Italian Account Bank has agreed to provide the Guarantor with certain payment services pursuant to the terms of the Cash Allocation, Management and Payments Agreement;

(iv) the Cash Manager has agreed, *inter alia*, to invest money standing to the credit of any of the Reserve Account and/or the Main Programme Account to purchase Eligible Investments;

(v) the Guarantor Corporate Servicer has agreed to operate the Expenses Account in order to make certain payments as set out in the Cash Allocation, Management and Payment Agreement;

(vi) the Principal Paying Agent has agreed to provide the Issuer and the Guarantor with certain payment services together with certain calculation services pursuant to the terms of the Cash Allocation, Management and Payments Agreement and to this purpose, *inter alia*, determine on each Interest Determination Date or as otherwise specified in the Final Terms after the delivery of a Guarantee Enforcement Notice or a Guarantor Default Notice, the relevant Rate of Interest, the Interest Amount and any other amount payable in respect of each Covered Bond of each Series and Tranche and notify the Issuer, the Guarantor, the Guarantor Calculation Agent, the Principal Servicer and the Representative of the Bondholders of such determination;

(vii) the Payments Account Bank has agreed to establish and maintain, in the name and on behalf of the Guarantor, subject to the delivery of a Guarantee Enforcement Notice, the Payments Account, until the earlier of the date on which all Series or Tranche of Covered Bonds issued in the context of the Programme have been cancelled or redeemed in full in accordance with their Terms and Conditions and the relevant Final Terms. Under the terms of the Cash Allocation, Management and Payments Agreement, the Payments Account Bank and the Guarantor have undertaken that the Payments Accounts shall be operational by no later than 5 Business Day after the date on which a Guarantee Enforcement Notice is delivered;

(viii) the Principal Paying Agent has agreed, *inter alia*, that (A) prior to the delivery of a Guarantee Enforcement Notice, it will make payments of principal and interest in respect of the Covered Bonds on behalf of the Issuer in accordance with the relevant Final Terms and the provisions of the Cash, Allocation, Management and Payments Agreement which regulate the payments through Monte Titoli; and (B) following the delivery of a Guarantee Enforcement Notice and/or a Guarantor Default Notice, on each Business Day preceding each Guarantor Payment Date which corresponds to an Interest Payment Date and/or a Maturity Date and/or an Extended Maturity Date or on any date on which a payment on the Covered Bonds has to be made in accordance with the relevant Final Terms and the provisions of the Guarantee, it will make

payments from the Payments Account of any Interest Amount and/or Redemption Amount in respect of any Series or Tranche of Covered Bonds outstanding on behalf of the Guarantor in accordance with the Guarantee and the provisions of the Cash, Allocation, Management and Payments Agreement which regulate the payments through Monte Titoli (provided that it shall not be obliged (but only entitled) to make any such payments if it has not received the full amount of any payment due to it.

(ix) the Guarantor Calculation Agent has agreed to provide the Guarantor with calculation services with respect to the Accounts and the Guarantor Available Funds and prepare and deliver to the Principal Servicer for such purpose the Payments Report, which shall, *inter alia*(i) take into account any calculations made under the Swap Agreements in relation to payments due or to become due by the next following Calculation Date; and (ii) reflect the occurrence of any (a) Segregation Event if a Breach of Tests Notice has been delivered and/or (b) any Issuer Event of Default if a Guarantee Enforcement Notice has been delivered.

Pursuant to Clause 3.8 of the Cash Allocation, Management and Payments Agreement, upon any entity belonging to the Montepaschi Group acceding to the Programme as Additional Seller in accordance with the Programme Documents, the Guarantor shall open a specific collection account with an Eligible Institution in Italy and, subject to the terms of this Agreement, shall at all times maintain, until the date on which all Covered Bonds issued in the context of the Programme have been cancelled or redeemed in full in accordance with their terms and conditions, such specific collection account for the purpose of crediting thereto any Collections and Recoveries in respect of the Assets transferred by the relevant Additional Seller and, if appropriate, a specific securities account for the purpose of depositing any Asset Backed Securities and any Top-Up Assets represented by bonds, debentures, notes or other financial instruments in book entry form, transferred by the relevant Additional Seller. In accordance with such provision BAV has opened with the Italian Account Bank such a specific collection account (the "**BAV Collection Account**").

The Guarantor may (with the prior approval of the Representative of the Bondholders) revoke its appointment of any Agent, by giving not less than three months' (or less in the event of a breach of warranties and covenants) written notice to the Agent (with a copy to the Representative of the Bondholders), regardless of whether an Issuer Event of Default or a Guarantor Event of Default has occurred. Prior to the delivery of a Guarantee Enforcement Notice, the Issuer may revoke its appointment of the Principal Paying Agent, by giving not less than three months' (or less in the event of a breach of warranties and covenants) written notice to the Principal Paying Agent (with a copy to the Representative of the Bondholders). Any Agent may resign from its appointment under the Cash Allocation, Management and Payment Agreement, upon giving not less than three months' (or such shorter period as the Representative of the Bondholders may agree) prior written notice of termination to the Guarantor and the Representative of the Bondholders subject to and conditional upon certain conditions set out in the Cash Allocation, Management and Payment Agreement, **provided that** notice of such resignation has been given to the Rating Agencies by the Guarantor or the Representative of the Bondholders (or the resigning Agent) and a valid substitute has been appointed.

Governing law

The Cash Allocation, Management and Payments Agreement any non-contractual obligations arising out of or in connection with it are governed by Italian law.

THE ENGLISH ACCOUNT BANK AGREEMENT

On 18 June 2010, Issuer, Principal Servicer, English Account Bank, Guarantor Calculation Agent, Guarantor Corporate Servicer, Cash Manager and Representative of the Bondholders entered into the English Account Bank Agreement, as amended and restated from time to time.

Under the terms of the English Account Bank Agreement, *inter alia*:

(i) the Guarantor has appointed Banca Monte dei Paschi di Siena S.p.A., acting through its London Branch, as English Account Bank and Cash Manager;

(ii) the Cash Manager has agreed to give to the English Account Bank, on behalf of the Guarantor, all directions necessary to enable the English Account Bank to operate the English Accounts in accordance with the terms of the English Account Bank Agreement;

(iii) the English Account Bank has agreed to establish and maintain, in the name and on behalf of the Guarantor, the Main Programme Account and the Reserve Account to provide the Guarantor with certain reporting services together with account handling services in relation to monies from time to time standing to the credit of such accounts. In addition the English Account Bank has agreed to provide the Guarantor with certain payment services pursuant to the terms of the English Account Bank Agreement including that the English Account Bank will, *inter alia*: (a) prior to the delivery of a Guarantee Enforcement Notice, on each Guarantor Payment Date, pay from the Main Programme Account the amounts specified in the Payments Report to the parties indicated therein, (b) following the delivery of a Guarantee Enforcement Notice or of a Guarantor Default Notice, pay from the Main Programme Account to the Payments Account, the funds, specified in the Payments Report or Post Guarantor Default Notice Report, as the case may be, to be used by the Principal Paying Agent in order to make payments of amounts due under the Covered Bonds and pay from the Main Programme Account the amounts specified in the Payments Report or Post Guarantor Default Notice Report, as the case may be, to the parties indicated therein.

The Guarantor may (with the prior approval of the Representative of the Bondholders) revoke its appointment of the English Account Bank or the Cash Manager by giving not less than three months' written notice to the English Account Bank or the Cash Manager (with a copy to the Representative of the Bondholders), regardless of whether an Issuer Event of Default or a Guarantor Event of Default has occurred. The English Account Bank or the Cash Manager may resign from its appointment under the English Account Bank Agreement, upon giving not less than three months' (or such shorter period as the Representative of the Bondholders may agree) prior written notice of termination to the Guarantor, the Rating Agencies and the Representative of the Bondholders subject to and conditional upon certain conditions set out in the English Account Bank Agreement, **provided that** a valid substitute has been appointed.

Governing law

The English Account Bank Agreement any non-contractual obligations arising out of or in connection with it are governed by English law.

THE SWAP AGREEMENTS

Covered Bond Swap Agreements

The Guarantor may, but is not obliged to, enter into one or more Covered Bond Swap Agreements on each Issue Date with one or more Covered Bond Swap Providers to hedge certain interest rate, currency and other risks in respect of amounts received by the Guarantor under the Cover Pool and the Asset Swap Agreements and amounts payable by the Guarantor under, prior to the service of a Guarantee Enforcement Notice, the Subordinated Loan and, following a Guarantee Enforcement Notice, the Covered Bonds. The aggregate notional amount of the Covered Bond Swap Agreement(s) for each Series or Tranche of Covered Bonds shall be the nominal amount on issue of such Series or Tranche of Covered Bonds.

Each Covered Bond Swap Agreement currently in place or which may be entered into in the future has, or will have, the following characteristics.

Under the Covered Bond Swap Agreements, the Guarantor will pay to the Covered Bond Swap Providers on each Guarantor Payment Date the notional amount (being the principal amount outstanding of the relevant Series or Tranche of Covered Bonds) multiplied by three month EURIBOR plus a margin. In return the Covered Bond Swap Provider(s) will pay to the Guarantor on each Interest Payment Date the same notional amount multiplied by a rate linked to the interest rate payable on such Series or Tranche of Covered Bonds.

Each Covered Bond Swap Agreement is scheduled to terminate on the Maturity Date of the Covered Bonds of the relevant Series or Tranche and may or may not take account of any extension of the Maturity Date under the terms of such Covered Bonds as specified in the relevant Covered Bond Swap Agreement. The occurrence of certain other termination events contained in a Covered Bond Swap Agreement may cause it to terminate prior to its scheduled termination date , as described in more detail below.

In addition, for issues in a currency other than Euro, the Guarantor may enter into one or more cross currency swaps to mitigate currency risks in respect of amounts received by the Guarantor under the Cover Pool and the Asset Swap Agreements and amounts payable by the Guarantor following a Guarantee Enforcement Notice, under the Covered Bonds.

Asset Swap Agreements

Some of the Mortgage Loans in the Cover Pool purchased by the Guarantor from time to time will pay a variable rate of interest and other Mortgage Loans will pay a fixed rate of interest. The Guarantor may, but is not obliged to, enter into one or more Asset Swap Agreements with one or more Asset Swap Providers to hedge the risks linked to interest it receives on the Cover Pool to ensure that it has sufficient funds to meet its quarterly payment obligations.

As of the date of this Prospectus, the Guarantor has not entered into an Asset Swap Agreement.

If entered into, it is anticipated that the Asset Swap Agreement will have the following characteristics.

The aggregate notional amount of the Asset Swap Agreement shall be the value of the Cover Pool outstanding from time to time excluding any Defaulted Loans (the "**Asset Swap Notional**").

The Guarantor shall pay to the Asset Swap Provider all the interest collections it receives (both fixed and floating) from the Cover Pool and receive from the Asset Swap Provider the Asset Swap Notional multiplied by three month EURIBOR plus a margin of 125 basis points (linked to the weighted average margin of the initial Cover Pool) which may be revised from time to time by the Parties.

The Asset Swap Agreement is scheduled to terminate on the earlier of (i) the date on which the outstanding balance of the Cover Pool is zero (ii) the final maturity date of the longest Mortgage Loan included in the Cover Pool (iii) 31 December 2055 and (iv) the date on which all Covered Bonds are redeemed in full and no further Series or Tranches are to be issue. The occurrence of certain other termination events contained in the Asset Swap Agreement may cause it to terminate prior to its scheduled termination date, as described in more detail below.

If any Additional Seller joins the Programme, then it may (subject to it being suitably rated or supported by a suitably rated entity) enter into an Asset Swap Agreement with the Guarantor in respect of the Assets in the Cover Pool transferred by it. If, however, any such Additional Seller or its credit support provider is not so rated, another entity with the required rating may enter into an Asset Swap Agreement with the Guarantor in respect of the Assets in the Cover Pool transferred by such Additional Seller.

Rating Downgrade Event

Under the terms of each Swap Agreement, in the event that the rating(s) of a Swap Provider or its credit support provider are downgraded by a Rating Agency below the rating(s) specified in the relevant Swap Agreement (in accordance with the criteria of the Rating Agencies), then such Swap Provider will, in accordance with the relevant Swap Agreement, be required to take certain remedial measures which may include:

(a) providing collateral for its obligations under the Swap Agreement, or

(b) arranging for its obligations under the relevant Swap Agreement to be transferred to an entity with the ratings required by the relevant Rating Agency in order to maintain the rating of the Covered Bonds, or

(c) procuring another entity, with the ratings meeting the relevant Rating Agency's criteria in order to maintain the rating of the Covered Bonds, to become co obligor or guarantor in respect of such Swap Provider's obligations under the Swap Agreement, or

(d) taking such other action as agreed with the relevant Rating Agency provided that it will not adversely affect the ratings of the then outstanding Series or Tranches of Covered Bonds.

A failure by the relevant Swap Provider to take such steps within the time periods specified in the Swap Agreement will allow the Guarantor to terminate the relevant Swap Agreement(s).

Any Swap Provider that does not, on the day of entry into a Swap Agreement, have the adequate rating shall have its obligations to the Guarantor under such Swap Agreement guaranteed by an appropriately rated entity.

Additional Termination Events

A Swap Agreement may also be terminated early in certain other circumstances, including:

(a) at the option of either party to the Swap Agreement, if there is a failure by the other party to pay any amounts due under such Swap Agreement, provided that this additional termination event will not apply if the failure to pay any amounts due under such Swap Agreement is due to the non-availability of Guarantor Available Funds;

(b) upon the occurrence of an insolvency of either party to the Swap Agreement, or its credit support provider (if any), or the merger of one of the parties without an assumption of the obligations under the relevant Swap Agreement;

(c) there is a change of law or change in application of any relevant law which results in the Guarantor or the Swap Provider (or both) being obliged to make a withholding or deduction on account of a tax on a payment to be made by such party to the other party under the Swap Agreement and the Swap Provider thereby being required under the terms of the Swap Agreement to gross up payments made to the Guarantor, or to receive net payments from the Guarantor (which is not required under the terms of the Swap Agreement to gross up payments made to the Swap Provider); and

(d) there is a change in law which results in the illegality of the obligations to be performed by either party under the Swap Agreements.

The following are also expected to constitute additional termination events, in whole or in part, as the case may be, with respect to the Guarantor in all the Swap Agreements:

(i) amendment to the Transaction Documents without the prior written consent of the relevant Swap Provider when such Swap Provider is of the reasonable opinion that it is materially adversely affected as a result of such amendment;

(ii) in respect of any Covered Bond Swap Agreement, redemption and prepayment (in whole or in part) of any relevant Series or Tranche of Covered Bonds;

(iii) in respect of any Covered Bond Swap Agreement, purchase and cancellation (in whole or in part) of any relevant Series or Tranche of Covered Bonds; and

(iv) in respect of any Asset Swap Agreements, sale of any of the Mortgage Loans.

Upon the termination of a Swap Agreement, the Guarantor or the Swap Provider may be liable to make a termination payment to the other party in accordance with the provisions of the relevant Swap Agreement. The amount of this termination payment will be calculated and may be made in Euro or, if applicable, the currency of the related Series or Tranche of Covered Bonds if issued in a currency other than Euro.

Credit Support Agreement

If it enters into a Swap Agreement, the Guarantor will also enter into with each Swap Provider a credit support document in the form of the ISDA 1995 Credit Support Annex (Transfer English Law) to the ISDA Master Agreement (each, a "**Credit Support Agreement**"). Each Credit Support Agreement will provide that, from time to time, if required to do so following its downgrade or the downgrade of its credit support provider and

subject to the conditions specified in the Credit Support Agreement, the relevant Swap Provider will make transfers of collateral to the Guarantor in support of its obligations under the Swap Agreement (the "**Swap Collateral**") and the Guarantor will be obliged to return equivalent collateral in accordance with the terms of the Credit Support Agreement. Each Credit Support Agreement will be governed by English Law.

Swap Collateral required to be posted by the relevant Swap Provider pursuant to the terms of the Credit Support Agreement may be delivered in the form of cash or securities. Cash amounts will be paid into an account designated a "**Swap Collateral Cash Account**" and securities will be transferred to an account designated a "**Swap Collateral Custody Account**". References to a Swap Collateral Cash Account or to a Swap Collateral Custody Account and to payments from such accounts are deemed to be a reference to payments from such accounts as and when opened by the Guarantor.

If a Swap Collateral Cash Account and/or a Swap Collateral Custody Account are opened, cash and securities (and all income in respect thereof) transferred as collateral will only be available to be applied in returning collateral (and income thereon) or in satisfaction of amounts owing by the relevant Swap Provider in accordance with the terms of the Credit Support Agreement.

Any Swap Collateral will be returned by the Guarantor to the relevant Swap Provider directly in accordance with the terms of the Credit Support Agreement and not under the Priorities of Payments.

Withholding Tax

Each Swap Provider will be obliged to make payments pursuant to the terms of its Swap Agreement without any withholding or deductions of taxes unless required by law. If any such withholding or deduction is required by law, the Swap Provider will, subject to certain conditions, be required to pay such additional amount as is necessary to ensure that the net amount actually received by the Guarantor will equal the full amount the Guarantor would have received had no such withholding or deduction been required. The Guarantor is similarly obliged to make to make payments pursuant to the terms of the Swap Agreement without any withholding or deductions of taxes unless required by law. However, if any such withholding or deduction is required by law, the Guarantor will not be required to pay such additional amount as is necessary to ensure that the net amount actually received by the Swap Provider will equal the full amount the Swap Provider would have received had no such withholding or deduction been required.

Transfer of Obligations

A Swap Provider may, at its own discretion and at its own expense, novate its rights and obligations under a Swap Agreement to any third party with the appropriate ratings, provided that, among other things, when the transferee is in a different jurisdiction from the transferor, such transfer will not adversely affect the ratings of any then outstanding relevant Series or Tranche of Covered Bonds and such transferee agrees to be bound by, *inter alia*, the terms of the security to which the relevant Swap Agreement is subject, on substantially the same terms as the Swap Provider.

Governing law

The Swap Agreements any non-contractual obligations arising out of or in connection with them are governed by English Law.

MANDATE AGREEMENT

On 18 June 2010, the Guarantor and the Representative of the Bondholders entered into the Mandate Agreement, as amended and supplemented on 17 June 2011, under which, subject to a Guarantor Default Notice being served or upon failure by the Guarantor to exercise its rights under the Programme Documents and fulfilment of certain conditions, the Representative of the Bondholders, acting in such capacity, shall be authorised to exercise, in the name and on behalf of the Guarantor, all the Guarantor's non-monetary rights arising out of the Programme Documents to which the Guarantor is a party.

Governing law

The Mandate Agreement any non-contractual obligations arising out of or in connection with it are governed by Italian law.

INTERCREDITOR AGREEMENT

On 18 June 2010, the Guarantor and the Other Guarantor Creditors entered into the Intercreditor Agreement, as amended and restated from time to time. On 27 May 2011 BAV acceded to the Intercreditor Agreement in its capacity as Additional Seller, Additional Servicer and Additional Subordinated Lender. Following the Merger, BMPS assumed all rights and obligations of BAV in the capacity as Additional Servicer, Additional Servicer and Additional Subordinated Lender under the Programme and any reference to BAV in the Programme Documents shall be deemed to be referred to BMPS, which takes over any and all activities and roles previously carried out by BAV. Securitisation Services S.p.A. acceded (i) on 3 April 2012 as Back-Up Servicer Facilitator; and (ii) on 8 April 2013 as Back-up Servicer. Under the Intercreditor Agreement provision is made as to the application of the proceeds from Collections in respect of the Cover Pool and as to the circumstances in which the Representative of the Bondholders will be entitled, in the interest of the Bondholders, to exercise certain of the Guarantor's rights in respect of the Cover Pool and the Programme Documents.

In the Intercreditor Agreement the Other Guarantor Creditors have agreed, *inter alia*: to the order of priority of payments to be made out of the Guarantor Available Funds; that the obligations owed by the Guarantor to the Bondholders and, in general, to the Other Guarantor Creditors are limited recourse obligations of the Guarantor; and that the Bondholders and the Other Guarantor Creditors have a claim against the Guarantor only to the extent of the Guarantor Available Funds.

Under the terms of the Intercreditor Agreement, the Guarantor has undertaken, following the service of a Guarantor Default Notice, to comply with all directions of the Representative of the Bondholders, acting pursuant to the Conditions, in relation to the management and administration of the Cover Pool.

Each of the Other Guarantor Creditors has agreed in the Intercreditor Agreement that in the exercise of its powers, authorities, duties and discretions the Representative of the

Bondholders shall have regard to the interests of both the Bondholders and the Other Guarantor Creditors but if, in the opinion of the Representative of the Bondholders, there is a conflict between their interests the Representative of the Bondholders will have regard solely to the interests of the Bondholders. The actions of the Representative of the Bondholders will be binding on each of the Other Guarantor Creditors.

Under the Intercreditor Agreement, each of the Other Guarantor Creditors has appointed the Representative of the Bondholders, as their agent (*mandatario con rappresentanza*), so that the Representative of the Bondholders may, in their name and behalf and also in the interests of and for the benefit of the Bondholders (who make a similar appointment pursuant to the Programme Agreements and the Conditions), *inter alia*, enter into the Deed of Pledge and, if necessary pursuant to the terms of the Intercreditor Agreement, into a Deed of Charge. In such capacity, the Representative of the Bondholders, with effect from the date when the Covered Bonds have become due and payable (following a claim to the Guarantor or a demand under the Guarantee in the case of an Issuer Event of Default or Guarantor Event of Default or the enforcement of the Guarantee if so instructed by the Bondholders or the exercise of any other rights of enforcement conferred to the Representative of the Bondholders), may exercise all of the Bondholders and Other Guarantor Creditors' right, title and interest in and to and in respect of the assets charged under the Deed of Pledge (and any Deed of Charge (if any)) and do any act, matter or thing which the Representative of the Bondholders considers necessary for the protection of the Bondholders and Other Guarantor Creditors' rights under any of the Programme Documents including the power to receive from the Issuer or the Guarantor any and all moneys payable by the Issuer or the Guarantor to any Bondholder or Other Guarantor Creditors. In any event, the Representative of the Bondholders shall not be bound to take any of the above steps unless it has been indemnified and/or secured to its satisfaction against all actions, proceedings, claims and demands to which it may thereby render itself liable and all costs, charges, damages and expenses which it may incur by so doing.

The parties to the Intercreditor Agreement have acknowledged and agreed that any Additional Seller may assign Eligible Assets and Top-Up Assets to the Guarantor, subject to satisfaction of certain conditions which will include the execution and/or accession to certain Programme Documents or other acts, deeds, documents and the notice to the Rating Agencies and the Joint-Arrangers. Any such Additional Seller may become party to the Intercreditor Agreement from time to time by signing an accession letter and, in addition, any Additional Seller(s) shall be required to assume certain specific undertakings as the continuation of the Programme, or any provision of law, may require (including, but not limited to, assuming the same undertakings of the Issuer and the Principal Seller set out in the Cover Pool Management Agreement and/or in the Subordinated Loan Agreement and/or in the Master Servicing Agreement, as the case may be.

The parties to the Intercreditor Agreement have acknowledged and agreed the provisions of the Terms and Conditions and the Guarantee pursuant to which, if the Issuer has failed to pay the Final Redemption Amount on the Maturity Date specified in the relevant Final Terms and the Guarantor or the Guarantor Calculation Agent on its behalf determines that the Guarantor has insufficient moneys available under the relevant Priority of Payments to pay the Guaranteed Amounts corresponding to the Final Redemption Amount in full in respect of the relevant Series or Tranche of Covered Bonds on the Extension Determination Date, then such Series become a Pass Through Series and payment of the unpaid amount by the Guarantor under the Guarantee shall be deferred until the Extended Maturity Date provided that any

amount representing the Final Redemption Amount of such Pass Through Series due and remaining unpaid after the Extension Determination Date may be paid by the Guarantor on any relevant Guarantor Payment Date thereafter up to (and including) the relevant Extended Maturity Date. Following the delivery of a Guarantee Enforcement Notice and upon breach of the Amortisation Test, all Series of Covered Bonds will become Pass Through Series.

Governing law

The Intercreditor Agreement any non-contractual obligations arising out of or in connection with it are governed by Italian law.

GUARANTOR CORPORATE SERVICES AGREEMENT

Under the Corporate Services Agreement entered into on 18 June 2010 between the Guarantor Corporate Servicer and the Guarantor, the Guarantor Corporate Servicer has agreed to provide certain corporate and administrative services to the Guarantor.

Governing law

The Guarantor Corporate Services Agreement and any non-contractual obligations arising out of or in connection with it are governed by Italian law.

PROGRAMME AGREEMENT

On 18 June 2010, the Issuer, the Guarantor, the Representative of the Bondholders and the Dealers, entered into the Programme Agreement pursuant to which the parties thereof have recorded the arrangements agreed between them in relation to the issue by the Issuer and the subscription by the Dealers from time to time of Covered Bonds issued under the Programme.

On 27 May 2011 BAV acceded to the Programme Agreement in its capacity as Additional Seller.

Under the Programme Agreement, the Issuer and the Dealers have agreed that any Covered Bonds of any Series or Tranche which may from time to time be agreed between the Issuer and any Dealer(s) to be issued by the Issuer and subscribed for by such Dealer(s) shall be issued and subscribed for on the basis of, and in reliance upon, the representations, warranties, undertakings and indemnities made or given or provided to be made or given pursuant to the terms of the Programme Agreement. Unless otherwise agreed, neither the Issuer nor any Dealer(s) is, are or shall be, in accordance with the terms of the Programme Agreement, under any obligation to issue or subscribe for any Covered Bonds of any Series or Tranche.

Pursuant to the Programme Agreement, before the Issuer reaches its agreement with any Dealer for the issue and purchase of any Series or Tranche of Covered Bonds under the Programme, each Dealer shall have received, and found satisfactory (in its reasonable opinion), all of the documents and confirmations described in schedule 1 (*Initial Conditions Precedent*) of the Programme Agreement constituting the initial conditions precedent and the conditions precedent set out under Clause 3.2 (*Conditions precedent to the issue of any Series or Tranche of Covered Bonds*) of the Programme Agreement, as applicable to the relevant Series, shall have been satisfied.

According to the terms of the Programme Agreement, the Issuer may nominate any institution as a new Dealer in respect of the Programme or nominate any institution as a new Dealer only in relation to a particular Series or Tranche of Covered Bonds upon satisfaction of certain conditions set out in the Programme Agreement.

In addition, under the Programme Agreement, the parties thereof have agreed to certain terms regulating, *inter alia*, the performance of any stabilisation action which may be carried out in connection with the issue of any Series or Tranche of Covered Bonds.

Governing law

The Programme Agreement any non-contractual obligations arising out of or in connection with it are governed by Italian law.

COVER POOL MANAGEMENT AGREEMENT

On 18 June 2010, Issuer, Principal Seller, Principal Servicer, Pre-Issuer Default Test Calculation Agent and Principal Subordinated Lender, Guarantor, Guarantor Calculation Agent, Post-Issuer Default Test Calculation Agent and the Representative of the Bondholders entered into the Cover Pool Management Agreement, as amended and restated from time to time, pursuant to which they have agreed certain terms regulating, *inter alia*, the performance of the Tests and the purchase and sale by the Guarantor of the Eligible Assets and Top-Up Assets included in the Cover Pool.

On 27 May 2011 BAV acceded to the Cover Pool Management Agreement in its capacity as Additional Seller, Additional Servicer and Additional Subordinated Lender. Following the Merger, BMPS assumed all rights and obligations of BAV in the capacity as Additional Servicer, Additional Servicer and Additional Subordinated Lender under the Programme and any reference to BAV in the Programme Documents shall be deemed to be referred to BMPS, which takes over any and all activities and roles previously carried out by BAV.

Under the Cover Pool Management Agreement the Issuer also in its capacity as Principal Seller and each Additional Seller(s) have jointly and severally undertaken to procure that: 1) starting from the First Issue Date and until the earlier of (a) the date on which all Series or Tranche of Covered Bonds issued in the context of the Programme have been cancelled or redeemed in full in accordance with the Terms and Conditions and the relevant Final Terms; and (b) the date on which a Guarantee Enforcement Notice is delivered, (i) on any Quarterly Test Calculation Date, and (ii) on any Test Calculation Date thereafter if on the immediately preceding Quarterly Test Calculation Date, any of the Mandatory Test was breached, each of the Mandatory Tests (as described in detail in section "*Credit structure - Tests*" below) is met with respect to the Cover Pool; and 2) starting from the First Issue Date and until the earlier of (a) the date on which all Series or Tranche of Covered Bonds issued in the context of the Programme have been cancelled or redeemed in full in accordance with the Terms and Conditions and the relevant Final Terms; and (b) the date on which a Guarantee Enforcement Notice is delivered, each of the Issuer, also in its capacity as Principal Seller, and each Additional Seller(s), has undertaken to procure that, on any Test Calculation Date, the Asset Coverage Test (as described in detail in section "*Credit structure - Tests*" below) is met with respect to the Cover Pool.

In addition, the Guarantor has undertaken to procure that starting from the date on which a Guarantee Enforcement Notice is delivered and until the earlier of: (a) the date on which all

Series or Tranche of Covered Bonds issued in the context of the Programme have been cancelled or redeemed in full in accordance with the Terms and Conditions and the relevant Final Terms; and (b) the date on which a Guarantor Default Notice is delivered, on any Test Calculation Date, the Amortisation Test (as described in detail in section "*Credit structure - Tests*" below) is met with respect to the Cover Pool.

The Pre-Issuer Default Test Calculation Agent has agreed to prepare and deliver, on each Test Performance Report Date prior to the delivery of a Guarantee Enforcement Notice, to the Issuer, the Guarantor, the Representative of the Bondholders, the Asset Monitor, the Guarantor Calculation Agent, the Principal Seller and each Additional Seller(s), the Principal Servicer and each Additional Servicer(s) and the Rating Agencies, a report setting out the calculations carried out by it with respect of the Mandatory Tests and the Asset Coverage Test, as appropriate, (the "**Pre-Issuer Default Test Performance Report**").

The Post-Issuer Default Test Calculation Agent has agreed to prepare and deliver, on each Test Performance Report Date following the delivery of a Guarantee Enforcement Notice, to the Guarantor, the Representative of the Bondholders, the Asset Monitor, the Guarantor Calculation Agent, the Principal Seller and any Additional Seller(s), the Principal Servicer and any Additional Servicer(s) and the Rating Agencies, a report setting out the calculations carried out by it with respect of the Amortisation Tests (the "**Post Issuer Default Test Performance Report**").

If, on each Test Performance Report Date, the Pre-Issuer Default Test Calculation Report specifies the breach of any of the Mandatory Tests and/or the Asset Coverage, the Guarantor will: (i) within the Test Grace Period, or (ii) if a Breach of Tests Notice had already been delivered, within the Test Remedy Period, purchase Top-Up Assets or other Eligible Assets either by way of purchase or substitution, from the Principal Seller or Additional Seller (if any), in each case in accordance with the Master Assets Purchase Agreement and in an amount sufficient to ensure, also taking into account the information provided by the Pre-Issuer Default Test Calculation Agent in its notification of the breach, that as of the subsequent Test Calculation Date, all Tests will be satisfied with respect to the Cover Pool, as evidenced in the relevant Test Performance Report.

The parties to the Cover Pool Management Agreement have acknowledged that the aggregate amount of Top Up Assets included in the Cover Pool following such purchases may not be in excess of 15% of the aggregate outstanding principal amount of the Cover Pool or any other limit set out in accordance with any relevant law, regulation or interpretation of any authority (including, for the avoidance of doubts, the Bank of Italy or the Minister of Economy and Finance) which may be enacted with respect to Law 130, the Bank of Italy Regulation and the Decree No. 310. Should any such limit be breached at any time, the Issuer shall remedy as soon as possible to such breach, provided that, in the meanwhile, any Top-Up Assets exceeding such 15% Limit will not be considered in the calculation of the Tests.

Following the delivery of a Breach of Tests Notice, but prior to the delivery of a Guarantee Enforcement Notice, if within the Test Remedy Period the relevant Test(s) are met according to the information included in the relevant Pre-Issuer Default Test Performance Report (unless any other Segregation Event has occurred and is outstanding and without prejudice to the obligation of the Representative of the Bondholders to deliver a subsequent Breach of Tests Notice at any time thereafter to the extent a further Segregation Event occurs), the Representative of the Bondholders will promptly deliver to the Issuer, the Guarantor, the Guarantor Calculation Agent, the Principal Seller and any Additional Seller(s), the Principal

Servicer and any Additional Servicer(s), the Asset Monitor and the Rating Agencies, a notice informing such parties that the Breach of Test Notice then outstanding has been revoked (the "**Breach of Tests Cure Notice**").

After the service of a Guarantee Enforcement Notice on the Guarantor, but prior to service of a Guarantor Default Notice, the Guarantor shall, upon instructions of the Portfolio Manager (as defined below) and provided that the Representative of the Bondholders has been duly informed, use its best effort to sell the Eligible Assets and Top-Up Assets included in the Cover Pool. The Eligible Assets and Top-Up Assets (any such Eligible Assets and Top-Up Assets, the "**Selected Assets**") will be selected from the Cover Pool on a random basis by the Principal Servicer on behalf of the Guarantor and the proceeds from any sale of Selected Assets will be credited to the Main Programme Account and applied as set out in the applicable Priority of Payments.

The Guarantor (or the Principal Servicer on behalf of the Guarantor) shall use its best efforts to sell the Selected Assets as follows:

(a) following the service of a Guarantee Enforcement Notice, within at least (provided that the Guarantor may commence before) the date falling (a) 30 days after the service of a Guarantee Enforcement Notice following a non-payment referred under Condition 11.2(a) or (b) in any other case of Guarantee Enforcement Notice delivered other than for a non-payment on a Series of Covered Bonds, six months prior to the Maturity Date of the Earliest Maturing Covered Bonds (the "**Earliest Maturing Sale Date**") and up to the earlier of (a) the date on which a breach of the Amortisation Test occurred, (b) the date on which the Pass Through Series of Covered Bonds have been redeemed in full and (c) the date on which a Guarantor Default Notice is delivered. The Guarantor shall use its best effort to sell the Selected Assets in an amount as close as possible to the amount necessary (i) to redeem in full the Pass Through Series and/or, only on the Earliest Maturing Sale Date, the Earliest Maturing Covered Bonds and (ii) to pay any interest amount due in respect of the Covered Bonds net of any amounts standing to the credit of the Programme Accounts, **provided that**, (1) prior to and following the sale of such Selected Assets, the Amortisation Test is complied with and (2) the Guarantor and the Portfolio Manager shall use their best effort to sell the Selected Assets, at the first attempt, at a price that ensures that the ratio between the aggregate Outstanding Principal Balance of the Cover Pool and the Outstanding Principal Amount of all Series of Covered Bonds remains unaltered following the sale of the relevant Selected Assets and repayment of the Pass Through Series and/or Earliest Maturing Covered Bonds (as the case may be). If the proceed of the sale of Selected Assets raised on the first attempt are insufficient for the purposes set out above, the Guarantor shall repeat its attempt to sell Eligible Assets every sixth months thereafter until the earlier of (i) the date on which the Pass Through Series of Covered Bonds have been redeemed in full and (ii) the date on which a Guarantor Default Notice is delivered; and

(b) following the service of a Guarantee Enforcement Notice (and, in case of a Guarantee Enforcement Notice delivered as result of an Article 74 Event, prior to the delivery of an Article 74 Event Cure Notice), if a breach of the Amortisation Test occurs as specified in the relevant Test Performance Report, starting from the date falling 30 calendar days after the date on which a Test Performance Report specifies a breach of the Amortisation Test and in an amount as close as possible to the amount necessary (i) to redeem in full the Pass Through Series and (ii) to pay any interest amount due in

respect of the Covered Bonds net of any amounts standing to the credit of the Programme Accounts. If the proceed of the sale of Selected Assets raised on the first attempt are insufficient for the purposes set out above, the Guarantor shall repeat its attempt to sell Eligible Assets every sixth months thereafter until the earlier of (i) the date on which the Pass Through Series of Covered Bonds have been redeemed in full and (ii) the date on which a Guarantor Default Notice is delivered;

(c) following the service of a Guarantor Default Notice the Guarantor, all the asset included in the Cover Pool, provided that the Guarantor will instruct the Portfolio Manager to use all reasonable endeavours to procure that such sale is carried out as quickly as reasonably practicable taking into account the market conditions at that time.

With respect to any sale to be carried out in accordance with the Cover Pool Management Agreement, within calendar 20 days following the delivery of a Guarantee Enforcement Notice, or as soon as practicable if necessary to effect timely payments under the Covered Bonds, the Guarantor will, through a tender process, appoint a portfolio manager (the "**Portfolio Manager**") of recognised standing on a basis intended to incentivise the Portfolio Manager to help the Guarantor to achieve the best price for the sale of the Selected Assets (if such terms are commercially available in the market) and to advise it in relation to the sale of the Selected Assets to purchasers (except where any of the Principal Seller and any Additional Seller (if any) (other than in case of *liquidazione coatta amministrativa* of such Principal Seller and/or Additional Seller (if any)) is buying the Selected Assets in accordance with its right of pre-emption under the Master Assets Purchase Agreement).

Under the Cover Pool Management Agreement, the parties have acknowledge that, prior to the occurrence of a Segregation Event, or if earlier, the delivery of a Guarantee Enforcement Notice, the Principal Seller and/or the Additional Seller has the right, pursuant the Master Assets Purchase Agreement, to repurchase any Excess Assets transferred to the Guarantor **provided that** no Tests may be breached as a result of any repurchase under such clause and any such purchase may occur only in accordance with any relevant law, regulation or interpretation of any authority (including, for the avoidance of doubts, the Bank of Italy or the Minister of Economy and Finance) which may be enacted with respect to Law 130, the Bank of Italy Regulation and the Decree No. 310.

For further details, see section "*Credit structure - Tests*" below.

Governing law

The Cover Pool Management Agreement any non-contractual obligations arising out of or in connection with it are governed by Italian law.

DEED OF PLEDGE

On 18 June 2010, the Guarantor and the Representative of the Bondholders entered into the Deed of Pledge under which, without prejudice and in addition to any security, guarantee and other right provided by Law 130 securing the discharge of the Guarantor's obligations to the Bondholders and the Other Guarantor Creditors, the Guarantor has pledged in favour of the Bondholders and the Other Guarantor Creditors all monetary claims and rights and all the amount arising (including payment for claims, indemnities, damages, penalties, credits and guarantees) to which the Guarantor is or will be entitled to from time to time pursuant to

certain Programme Documents, with the exclusion of the Cover Pool and the Collections. The security created pursuant to the Deed of Pledge will become enforceable upon the service of a Guarantor Default Notice.

Governing law

The Deed of Pledge any non-contractual obligations arising out of or in connection with it are governed by Italian law.

ASSET MONITOR AGREEMENT

Please see section "*The Asset Monitor*" below.

CREDIT STRUCTURE

The Covered Bonds will be direct, unsecured, unconditional obligations of the Issuer. The Guarantor has no obligation to pay the Guaranteed Amounts under the Guarantee until the occurrence of an Issuer Event of Default and service by the Representative of the Bondholders on the Issuer and on the Guarantor of a Guarantee Enforcement Notice. The Issuer will not be relying on payments by the Guarantor in respect of the Term Loans or receipt of Interest Available Funds or Principal Available Funds from the Cover Pool in order to pay interest or repay principal under the Covered Bonds.

There are a number of features of the Programme which enhance the likelihood of timely and, as applicable, ultimate payments to Bondholders, as follows:

- the Guarantee provides credit support for the benefit of the Bondholders;
- the Mandatory Tests and, following the delivery of an Issuer Event of Default Notice, the Amortisation Tests are intended to ensure that the Cover Pool is at all times sufficient to pay any interest and principal under the Covered Bonds;
- the Asset Coverage Test is intended to test the asset coverage of the Guarantor's assets in respect of the Covered Bonds following the service of a Guarantee Enforcement Notice, applying for the purpose of such coverage an Asset Percentage factor determined in order to provide a degree of over-collateralization with respect to the Cover Pool;
- the Swap Agreements are intended to hedge certain interest rate, current or other risks in respect of amounts received and amounts payable by the Guarantor;
- a Reserve Account will be established which will build up over time using excess cash flow from Interest Available Funds; and
- under the terms of the Cash Allocation, Management and Payment Agreement, the Cash Manager has agreed to invest the moneys standing to the credit of the Main Programme Account and the Reserve Account in purchasing Eligible Investments.

Certain of these factors are considered more fully in the remainder of this section.

Guarantee

The Guarantee provided by the Guarantor guarantees payment of Guaranteed Amounts when the same become Due for Payment in respect of all Covered Bonds issued under the Programme in accordance with the relevant Priority of Payments. The Guarantee will not guarantee any other amount becoming payable in respect of the Covered Bonds for any other reason, including any accelerated payment pursuant to Condition 11.2 (*Issuer Event of Default*) following the delivery of a Guarantee Enforcement Notice. In this circumstance (and until a Guarantor Event of Default occurs and a Guarantor Default Notice is served), the Guarantor's obligations will only be to pay the Guaranteed Amounts as they fall Due for Payment. Payments to be made by the Guarantor under the Guarantee will be made subject to, and in accordance with, the relevant Priority of Payments, as applicable.

See further "*Description of the Programme Documents - Guarantee*", as regards the terms of the Guarantee. See "*Cashflows - Guarantee Priority of Payments*", as regards the payment of amounts payable by the Guarantor to Bondholders and other creditors following the occurrence of an Issuer Event of Default.

Tests

Under the terms of the Cover Pool Management Agreement, the Issuer and the Additional Seller(s) must ensure that on each Test Calculation Date and/or Quarterly Calculation Date, as the case may be, the Cover Pool is in compliance with the Tests described below. If on any Test Calculation Date or Quarterly Test Calculation Date, as the case may be, the relevant Test Performance Report specifies that the Cover Pool is not in compliance with the relevant Test, then the Principal Seller, (and/or any Additional Seller(s) in respect of each relevant New Portfolio transferred to the Guarantor) will either (i) sell additional Eligible Assets and/or Top-Up Assets to the Guarantor for an amount sufficient to allow the relevant Test to be met on the next following Test Calculation Date as determined in the immediately following Test Performance Report, in accordance with the Master Assets Purchase Agreement and the Cover Pool Management Agreement, to be financed through the proceeds of Term Loans to be granted by the Principal Seller (and/or any Additional Seller, if any) or (ii) substitute any relevant assets in respect of which the right of repurchase can be exercised under the terms of the Master Assets Purchase Agreement with new Eligible Assets, for an amount sufficient to allow the relevant Test to be met on the next following Test Calculation Date as determined in the immediately following Test Performance Report.

If, within the Test Grace Period the relevant breach of the Tests is not remedied in accordance with the terms of the Cover Pool Management Agreement, the Representative of the Bondholders will deliver a Breach of Test Notice and as a consequence (i) no further Series or Tranche of Covered Bonds may be issued by the Issuer; (ii) there shall be no further payments to the Subordinated Lender under any relevant Term Loan, other than where necessary for the purpose of complying with the 15% Limit in accordance with the provisions of Decree 310 and the Bank of Italy Regulations as better specified in the Cover Pool Management Agreement (and to the extent that no purchase of Eligible Assets is possible to this effect in accordance with the provisions of the Master Assets Purchase Agreement and the Cover Pool Management Agreement and/or in compliance with the limits set out in the Bank of Italy Regulations); (iii) the purchase price for any Eligible Assets or Top-Up Assets to be acquired by the Guarantor shall be paid using the proceeds of a Term Loan or, with respect to Eligible Assets only, to the extent necessary to comply with the 15% Limit in accordance with the provisions of Decree 310 and the Bank of Italy Regulations as better specified in the Cover Pool Management Agreement, the Guarantor Available Funds; and (iv) payments due under the Covered Bonds will continue to be made by the Issuer until a Guarantee Enforcement Notice has been delivered.

MANDATORY TESTS

In order to ensure that the Cover Pool is sufficient to repay the Covered Bonds, the Issuer, the Principal Seller, any Additional Seller(s) (if any) shall ensure that the Mandatory Tests, being (i) the Nominal Value Test, (ii) the Net Present Value Test and (iii) the Interest Coverage Test, are satisfied in accordance with article 3 of Decree No. 310 and the provisions of this Agreement.

Starting from the First Issue Date and until the earlier of:

a) the date on which all Series or Tranche of Covered Bonds issued in the context of the Programme have been cancelled or redeemed in full in accordance with the Terms and Conditions and the relevant Final Terms; and

b) the date on which a Guarantee Enforcement Notice is delivered;

the Issuer, also in its capacity as Principal Seller, and any Additional Seller(s) (if any), jointly and severally undertake to procure that (i) on any Quarterly Test Calculation Date, and (ii) on any Test Calculation Date thereafter if on the immediately preceding Quarterly Test Calculation Date any of the Mandatory Test was breached, each of the Mandatory Tests described in this Clause 2 is met with respect to the Cover Pool.

(A) ***Nominal Value Test***

The Pre-Issuer Default Test Calculation Agent shall verify (i) on any Quarterly Test Calculation Date, and (ii) on any Test Calculation Date thereafter if on the immediately preceding Quarterly Test Calculation Date any of the Mandatory Test was breached, that the aggregate Outstanding Principal Balance of the Cover Pool shall be higher than or equal to the Principal Amount Outstanding of all Series or Tranche of Covered Bonds issued under the Programme and not cancelled or redeemed in full in accordance with their Terms and Conditions and the relevant Final Terms.

For the purpose of the Nominal Value Test, the Outstanding Principal Balance of the Cover Pool shall be considered as an amount equal to the "**Nominal Value**" and shall be, on each Quarterly Test Calculation Date (or following the breach of any of the Mandatory Test, on each relevant Test Calculation Date), at least equal to the aggregate Principal Amount Outstanding of all Series or Tranche of Covered Bonds issued under the Programme and not cancelled or redeemed in full in accordance with their Terms and Conditions and the relevant Final Terms (or the Euro Equivalent, if applicable). The Nominal Value Test shall be met if:

$$\mathbf{A + B \geq OBG}$$

where,

"**A**" is the Outstanding Principal Balance of each Eligible Assets (taking into account the loan to value limit imposed by law) and Top Up Assets comprised in the Cover Pool as at the relevant Quarterly Test Calculation Date (or following the breach of any of the Mandatory Test, as at the relevant Test Calculation Date);

"**B**" is the aggregate amount of all Principal Available Funds cash standing on the Programme Accounts; and

"**OBG**" means the aggregate Principal Amount Outstanding of all Series or Tranche of Covered Bonds issued under the Programme and not cancelled or redeemed in full in accordance with their Terms and Conditions and the relevant Final Terms (or the Euro Equivalent, if applicable).

The calculation above will be performed without taking into account any Top-Up Assets exceeding the 15% Limit.

The Nominal Value Test will always be deemed as met to the extent that the Asset Coverage Test is met, as of the relevant Quarterly Test Calculation Date or the relevant Test Calculation Date thereafter if on the immediately preceding Quarterly Test Calculation Date any of the Mandatory Test was breached.

(B) ***Net Present Value Test***

The Pre-Issuer Default Test Calculation Agent shall verify (i) on any Quarterly Test Calculation Date, and (ii) on any Test Calculation Date thereafter if on the immediately preceding Quarterly Test Calculation Date any of the Mandatory Test was breached, that the net present value of the Cover Pool (including the payments of any nature expected to be received by the Guarantor with respect to any Swap Agreement), net of all the costs to be borne by the Guarantor (including the costs of any nature expected or due with respect to any Swap Agreement) shall be higher than or equal to the net present value of all Series or Tranche of Covered Bonds issued under the Programme and not cancelled or redeemed in full in accordance with their Terms and Conditions and the relevant Final Terms.

The Net Present Value Test shall be met if:

$$A+B+C-D \geq NPVOBG$$

where,

"**A**" is the net present value of all Eligible Assets (taking into account the loan to value limit imposed by law) and Top Up Assets comprised in the Cover Pool;

"**B**" is the net present value of each Swap Agreement;

"**C**" is the aggregate amount of the Principal Available Funds;

"**D**" is the net present value amount of any transaction costs to be borne by the Guarantor (including the costs of any nature expected to be borne or due with respect to any Swap Agreement); and

"**NPVOBG**" is the sum of the net present value of each Covered Bonds outstanding under the Programme.

The calculation above will be performed without taking into account any Top-Up Assets exceeding the 15% Limit.

(C) ***Interest Coverage Test***

The Pre-Issuer Default Test Calculation Agent shall verify (i) on any Quarterly Test Calculation Date, and (ii) on any Test Calculation Date thereafter if on the immediately preceding Quarterly Test Calculation Date any of the Mandatory Test was breached, that the amount of interest and other revenues expected to be generated by the assets included in the Cover Pool (including the payments of any nature expected to be received by the Guarantor with respect to any Swap Agreement), net of all the costs expected to be borne by the Guarantor (including the cost of any nature expected or due with respect to any Swap Agreement), shall be higher than or equal to the amount of interest due on all Series or Tranche of Covered Bonds issued under the

Programme and not cancelled or redeemed in full in accordance with their Terms and Conditions and the relevant Final Terms.

The Interest Coverage Test shall be met if:

(A+B+C+D-E) ≥ IOBG

where,

"**A**" is (i) the interest component of all the Instalments falling due and payable from the relevant Quarterly Test Calculation Date (or following the breach of any of the Mandatory Test, on each relevant Test Calculation Date) to the date falling 12 months thereafter (taking into account the loan to value limit imposed by law) and (ii) all other amounts (other than principal amount) to be received in respect of the Eligible Assets and Top Up Assets comprised in the Cover Pool (other than those under letter (i) above) to the date falling 12 months thereafter;

"**B**" is any net interest amount expected to be received by the Guarantor under the Covered Bond Swap Agreement from the relevant Guarantor Calculation Date to the date falling 12 months thereafter;

"**C**" is any net interest amount expected to be received by the Guarantor under the Asset Swap Agreement from the relevant Guarantor Calculation Date to the date falling 12 months thereafter;

"**D**" is any interest expected to accrue in respect of the Principal Available Funds from the relevant Guarantor Calculation Date to the date falling 12 months thereafter;

"**E**" is the amount of all senior costs expected to be borne by the Guarantor during the period starting from the relevant Guarantor Calculation Date and ending on the date falling 12 months thereafter, under item from *First* to *Fourth* of the Pre-Issuer Default Interest Priority of Payments;

"**IOBG**" is the aggregate amount of all interest payments due and payable under all outstanding Covered Bonds on the Interest Payment Dates falling in the period starting from the relevant Guarantor Calculation Date (excluded) and ending on the date falling 12 months thereafter (such interest payments to be calculated with respect to the applicable interest rates set out in the relevant Final Terms as of the relevant Guarantor Calculation Date).

ASSET COVERAGE TEST

Starting from the First Issue Date and until the earlier of:

a) the date on which all Series or Tranche of Covered Bonds issued in the context of the Programme have been cancelled or redeemed in full in accordance with the Terms and Conditions and the relevant Final Terms; and

b) the date on which a Guarantee Enforcement Notice is delivered (and, in case the Issuer Event of Default consists of an Article 74 Event, to the extent that an Article 74 Event Cure Notice has been served);

the Issuer, also in its capacity as Principal Seller, and any Additional Seller(s) (if any), jointly and severally undertake to procure that, on any Test Calculation Date, the Asset Coverage Test is met with respect to the Cover Pool.

For the purposes of the Asset Coverage Test, the Pre-Issuer Default Test Calculation Agent shall verify that the Adjusted Aggregate Asset Amount is, on each Test Calculation Date prior to the delivery of an Issuer Default Notice, at least equal to the aggregate Principal Amount Outstanding of all Series or Tranche of Covered Bonds issued in the context of the Programme have been cancelled or redeemed in full in accordance with the Terms and Conditions and the relevant Final Terms (or the Euro Equivalent, if applicable).

The Asset Coverage Test shall be met if:

A-X+B+C-Z-Y-W≥OBG

where,

"**A**" is equal to **MIN*AP**

where

"**MIN**" is the sum of the "**LTV Adjusted Principal Balance**" of each Mortgage Loan in the Cover Pool, which shall be the lower of (1) the actual Outstanding Principal Balance of the relevant Mortgage Loan in the Cover Pool as calculated on the last day of the immediately preceding Calculation Period, and (2) the Latest Valuation relating to that Mortgage Loan multiplied by M, where M is:

(a) equal to 80 per cent. for all the Receivables arising from Mortgage Loans (i) having no unpaid Instalments or (ii) Instalments not paid for less than 90 calendar days or (iii) which have been restructured in connection with the accession of the relevant borrower to the "*Combatti la crisi*" program and in respect of which, as of the relevant Test Calculation Date, payments have been suspended for less than 90 calendar days or (iv) in respect of which the relevant borrower has requested a suspension of payment pursuant to the Decree of the Ministry of Finance of 25 February 2009 implementing Legislative Decree no. 185 of 29 November 2008, as converted into law through Law no. 2 of 28 January 2009 (*Decreto Anticrisi*), or under the renegotiation scheme for distressed borrowers signed by the Italian Banks Association (ABI) on 18 December 2009 (*Piano Famiglie*), during the suspension period provided that, as of the relevant Test Calculation Date, such suspension period is lower than 90 calendar days;

(b) equal to 40 per cent. for all the Receivables arising from Mortgage Loans (i) having Instalments not paid for more than 90 calendar days but less than 180 calendar days or (ii) which have been restructured in connection with the accession of the relevant borrower to the "*Combatti la crisi*" program and in respect of which, as of the relevant Test Calculation Date, payments have been suspended for more than 90 calendar days but less than 180 calendar days or (iii) in respect of which the relevant borrower has requested a suspension of payment pursuant to the Decree of the Ministry of Finance of 25 February 2009 implementing Legislative Decree no. 185 of 29 November 2008, as converted into law through Law no. 2 of 28 January 2009 (*Decreto Anticrisi*), or under the renegotiation scheme for distressed borrowers signed by the Italian Banks

Association (ABI) on 18 December 2009 (*Piano Famiglie*), during the suspension period provided that, as of the relevant Test Calculation Date, such suspension period is greater than 90 calendar days but lower than 180 calendar days; and

(c) equal to 0 per cent. for all the Receivables arising from Mortgage Loans (i) having Instalments not paid for more than 180 calendar days) or (ii) which have been restructured in connection with the accession of the relevant borrower to the "*Combatti la crisi*" program and in respect of which, as of the relevant Test Calculation Date, payments have been suspended for more than 180 calendar days or (iii) in respect of which the relevant borrower has requested a suspension of payment pursuant to the Decree of the Ministry of Finance of 25 February 2009 implementing Legislative Decree no. 185 of 29 November 2008, as converted into law through Law no. 2 of 28 January 2009 (*Decreto Anticrisi*), or under the renegotiation scheme for distressed borrowers signed by the Italian Banks Association (ABI) on 18 December 2009 (*Piano Famiglie*), during the suspension period provided that, as of the relevant Test Calculation Date, such suspension period is longer than 180 calendar days;

"**X**" is equal to the amount to be deducted from the LTV Adjusted Principal Balance of any Mortgage Loans in the Cover Pool in respect of which any of the following occurred during the immediately preceding Calculation Period: (a) the relevant Mortgage Loan was, in the immediately preceding Calculation Period, in breach of the representations and warranties contained in the Warranty and Indemnity Agreement (any such Mortgage Loan an "**Affected Loan**"); or (b) the relevant Seller, in any preceding Calculation Period, was in breach of any other material representation and warranty under the Master Assets Purchase Agreement and/or such relevant Servicer was, in any preceding Calculation Period, in breach of a material term of the Master Servicing Agreement.

Such amount shall, in all cases, be equal to (i) nil, as long as the Issuer's short term rating or the Issuer's long term rating is at least, respectively, "F1" or "A" by Fitch or the Issuer's short term rating is at least "P-1" or the Counterparty risk rating (if available) is at least "Baa3(cr)" by Moody's or the Issuer's long term rating is at least "BBB" by DBRS, provided that the relevant Seller has indemnified the Guarantor or otherwise cured such breach, to the extent required by the terms of the Warranty and Indemnity Agreement or the relevant Seller or Servicer has otherwise cured such breach in accordance with the relevant Programme Documents; (ii)(A) in respect of the Affected Loan, an amount equal to the LTV Adjusted Principal Balance of the relevant Affected Loan or Affected Loans (as calculated on the last day of the immediately preceding Calculation Period); or (ii)(B) in respect of the Mortgage Loan referred to in letter (b) above, an amount equal to the resulting financial loss incurred by the Guarantor in the immediately preceding Calculation Period (such financial loss to be calculated by the Guarantor Calculation Agent without double counting and to be reduced by any amount paid, in cash or in kind, to the Guarantor by the relevant Seller to indemnify the Guarantor for such financial loss) (any such loss a "**Breach Related Loss**");

"**AP**" is the Asset Percentage;

and

"**B**" is the aggregate amount of the Principal Available Funds;

"**C**" is the aggregate Outstanding Principal Balance of any Eligible Assets and/or Top-Up Assets (other than those under letter (A) above); and

"**Z**" is the weighted average remaining maturity of all Covered Bonds multiplied by the Principal Amount Outstanding of the Covered Bonds (or the Euro Equivalent, if applicable) multiplied by the Negative Carry Factor;

"**Y**" is equal to nil, as long as the Issuer's short term rating or the Issuer's long term rating is, respectively, at least "F1" and "A" by Fitch or the Issuer's short term rating is at least "P-1" or the deposit rating is at least "Baa3" by Moody's or the Issuer's long term rating is in accordance with the Minimum DBRS Rating by DBRS, otherwise it is equal to the Potential Set-Off Amounts (unless the calculation of such Potential Set-Off Amounts is no longer required in accordance with the Rating Agencies' criteria from time to time applicable);

"**W**" is equal to nil, as long as the Issuer's short term rating or the Issuer's long term rating is, respectively, at least "F1" and "A" by Fitch or the Issuer's short term rating is at least "P-1" or the Counterparty risk rating (if available) is at least "Baa3(cr)" by Moody's or the Issuer's long term rating is in accordance with the Minimum DBRS Rating by DBRS, otherwise it is equal to the Potential Commingling Amount (unless the calculation of such Potential Commingling Amount is no longer required in accordance with the Rating Agencies' criteria from time to time applicable).

The calculation above will be performed without taking into account any Top-Up Assets exceeding the 15% Limit.

"**Potential Commingling Amount**" means an amount of collection which may be subject to commingling risk in case of an Insolvency Event of the Servicer, as calculated by the Pre-Issuer Default Test Calculation Agent in an amount which shall not prejudice the rating assigned from time to time to the Covered Bonds in accordance with the criteria of the Rating Agencies.

For the avoidance of doubt, it is understood that, if upon a downgrading of the Issuer's rating assigned (1) by Fitch below "F1" with respect to the Issuer's short term rating or "A", with respect to the Issuer's long term rating, or (2) by Moody's below "P-1" with respect to the Issuer's short term rating, or "Baa3(cr)" with respect to the Counterparty risk rating (if available) or (3) by DBRS below the Minimum DBRS Rating with respect to the Issuer's long term rating and the remedies provided for under Clause 5.2.1 of the Master Servicing Agreement have been put in place, the amount appropriate for the purposes of the definition of "Potential Commingling Amount" shall be equal to nil. If on the contrary the remedies provided for under Clause 5.2.1 of the Master Servicing Agreement have not been put in place than the Potential Commingling Amount shall be deducted from the Asset Coverage Test.

"**Potential Set-Off Amounts**" means the aggregate outstanding principal balance of the Cover Pool that could potentially be lost as a result of the relevant Debtors exercising their set-off rights. Such amount will be calculated, only starting from the date on which the Issuer's short term rating or the Issuer's long term rating assigned by Fitch falls below, respectively, "F1" or "A" or the Issuer's short term rating or the deposit rating assigned by Moody's falls below, respectively, "P-1" and "Baa3" or the Issuer's long term rating falls below the Minimum DBRS Rating by DBRS, by the Pre-Issuer Default Test Calculation Agent in an amount which shall not prejudice the rating assigned from time to time to the Covered Bonds in accordance with the criteria of the Rating Agencies.

"**OBG**" means the aggregate Principal Amount Outstanding of all Series or Tranche of Covered Bonds issued under the Programme and not cancelled or redeemed in full in accordance with their Terms and Conditions and the relevant Final Terms (or the Euro Equivalent, if applicable).

AMORTISATION TEST

Starting from the date on which a Guarantee Enforcement Notice is delivered and until the earlier of

a) the date on which all Series or Tranche of Covered Bonds issued in the context of the Programme have been cancelled or redeemed in full in accordance with the Terms and Conditions and the relevant Final Terms; and

b) the date on which a Guarantor Default Notice is delivered;

the Guarantor undertakes to procure that on any Test Calculation Date, the Amortisation Test is met with respect to the Cover Pool, provided that, in case the Issuer Event of Default consists of an Article 74 Event, no Article 74 Event Cure Notice has been served.

For the purpose of the Amortisation Test, the Post-Issuer Default Test Calculation Agent shall verify that, on each Test Calculation Date, the outstanding principal balance of the Cover Pool is higher than or equal to the Euro Equivalent of the Principal Amount Outstanding of all Series or Tranche of Covered Bonds issued under the Programme and not cancelled or redeemed in full in accordance with their Terms and Conditions and the relevant Final Terms at the relevant Test Calculation Date.

The Amortisation Test shall be met if:

$$A+B+C-Z \geq OBG$$

where,

"**A**" is equal to MIN multiplied by Guarantee Asset Percentage (GAp)

For the purposes of the calculation of the Amortisation Test, the Guarantee Asset Percentage will be calculated as the ratio granting an overcollateralisation equal to 75% of the overcollateralisation resulting from the Asset Percentage used on the last Test Calculation Date preceding the service of a Guarantee Enforcement Notice. Thus the calculation of the Guarantee Asset Percentage is made on the basis of the following formula:

$$GAp = 1/(75\% * (1/AP-1)+1)$$

Where "**AP**" is the Asset Percentage used on the last Test Calculation Date preceding the service of a Guarantee Enforcement Notice.

"**MIN**" is the lower of:

1. the actual Outstanding Principal Balance of each Mortgage Loan as calculated on the last day of the immediately preceding Calculation Period; and

2. the Latest Valuation multiplied by M (where M is:

(a) equal to 100 per cent. for all the Receivables arising from Mortgage Loans (i) having no unpaid Instalments or (ii) Instalments not paid for less than 90 calendar days or (iii) which have been restructured in connection with the accession of the relevant borrower to the "*Combatti la crisi*" program and in respect of which, as of the relevant Test Calculation Date, payments have been suspended for less than 90 calendar days or (iv) in respect of which the relevant borrower has requested a suspension of payment pursuant to the Decree of the Ministry of Finance of 25 February 2009 implementing Legislative Decree no. 185 of 29 November 2008, as converted into law through Law no. 2 of 28 January 2009 (*Decreto Anticrisi*), or under the renegotiation scheme for distressed borrowers signed by the Italian Banks Association (ABI) on 18 December 2009 (*Piano Famiglie*), during the suspension period provided that, as of the relevant Test Calculation Date, such suspension period is lower than 90 calendar days;

(b) equal to 60 per cent. for all the Receivables arising from Mortgage Loans (i) having Instalments not paid for more than 90 calendar days but less than 180 calendar days or (ii) which have been restructured in connection with the accession of the relevant borrower to the "*Combatti la crisi*" program and in respect of which, as of the relevant Test Calculation Date, payments have been suspended for more than 90 calendar days but less than 180 calendar days or (iii) in respect of which the relevant borrower has requested a suspension of payment pursuant to the Decree of the Ministry of Finance of 25 February 2009 implementing Legislative Decree no. 185 of 29 November 2008, as converted into law through Law no. 2 of 28 January 2009 (*Decreto Anticrisi*), or under the renegotiation scheme for distressed borrowers signed by the Italian Banks Association (ABI) on 18 December 2009 (*Piano Famiglie*), during the suspension period provided that, as of the relevant Test Calculation Date, such suspension period is greater than 90 calendar days but lower than 180 calendar days; and

(c) equal to 40 per cent. for all the Receivables arising from Mortgage Loans (i) having Instalments not paid for more than 180 calendar days) or (ii) which have been restructured in connection with the accession of the relevant borrower to the "*Combatti la crisi*" program and in respect of which, as of the relevant Test Calculation Date, payments have been suspended for more than 180 calendar days or (iii) in respect of which the relevant borrower has requested a suspension of payment pursuant to the Decree of the Ministry of Finance of 25 February 2009 implementing Legislative Decree no. 185 of 29 November 2008, as converted into law through Law no. 2 of 28 January 2009 (*Decreto Anticrisi*), or under the renegotiation scheme for distressed borrowers signed by the Italian Banks Association (ABI) on 18 December 2009 (*Piano Famiglie*), during the suspension period provided that, as of the relevant Test Calculation Date, such suspension period is longer than 180 calendar days.

"**B**" the aggregate amount of the Principal Available Funds;

"**C**" is the aggregate outstanding principal balance of any Eligible Assets (other than those under letter (A) above); and or Top-Up Assets (not exceeding the 15% Limit);

"**Z**" is the weighted average remaining maturity of all Covered Bonds multiplied by the Principal Amount Outstanding of the Covered Bonds (or the Euro Equivalent, if applicable) multiplied by the "**Negative Carry Factor**"; and

"**OBG**" means the aggregate Principal Amount Outstanding of all Series or Tranche of Covered Bonds issued under the Programme and not cancelled or redeemed in full in accordance with their Terms and Conditions and the relevant Final Terms (or the Euro Equivalent, if applicable).

Breach of Tests

If on any Test Calculation Date or Quarterly Test Calculation Date, as the case may be, a Test Performance Report specifies that the Cover Pool is not in compliance with the relevant Test, then the Principal Seller, (and/or any Additional Seller(s) in respect of each relevant New Portfolio transferred to the Guarantor, will either:

(i) sell additional Eligible Assets and/or Top-Up Assets to the Guarantor for an amount sufficient to allow the relevant Test to be met on the next following Test Calculation Date as determined in the immediately following Test Performance Report, in accordance with the Master Assets Purchase Agreement and the Cover Pool Management Agreement, to be financed through the proceeds of Term Loans to be granted by the Principal Seller (and/or any Additional Seller(s)); or

(ii) substitute any relevant assets in respect of which the right of repurchase can be exercised under the terms of the Master Assets Purchase Agreement with new Eligible Assets, for an amount sufficient to allow the relevant Test to be met on the next following Test Calculation Date as determined in the immediately following Test Performance Report, or

(iii) take any other action that may be deemed appropriate to allow the relevant Tests to be cured on the next Test Calculation Date.

Failure to remedy Tests

If, within the Test Grace Period the relevant breach of the Tests is not remedied in accordance with the terms of the Cover Pool Management Agreement, the Representative of the Bondholders will deliver a Breach of Test Notice.

If, after the delivery of a Breach of Test Notice, the relevant breach of the Tests is not remedied, within the Test Remedy Period, in accordance with the terms of the Cover Pool Management Agreement, the Representative of the Bondholders will deliver a Guarantee Enforcement Notice.

If, after the delivery of a Guarantee Enforcement Notice (provided that, should such Issuer Default Notice consist of an Article 74 Event, an Article 74 Event Cure Notice has not been served), a breach of the Amortisation Test occurs, the Representative of the Bondholders will deliver a Guarantor Default Notice.

Upon receipt of a Guarantee Enforcement Notice or a Guarantor Default Notice, the Guarantor shall dispose of the assets included in the Cover Pool.

Reserve Account

The Reserve Account is held in the name of the Guarantor and will build up over time using excess cash flows remaining on each Guarantor Payment Date after payments required to be made on such date have been made. On each Guarantor Payment Date, in accordance with the Priority of Payments, available funds shall be deposited by the Issuer in the Reserve Account until the Reserve Amount equals the Required Reserve Amount for such Guarantor Payment Date. The Reserve Amount over and above the Required Reserve Amount will be used on each Guarantor Payment Date together with other Guarantor Available Funds, for making the payments required by the Priorities of Payment.

CASHFLOWS

As described above under "*Credit Structure*", until a Guarantee Enforcement Notice is served on the Guarantor, the Covered Bonds will be obligations of the Issuer only. The Issuer is liable to make payments when due on the Covered Bonds, whether or not it has received any corresponding payment from the Guarantor.

This section summarises the cashflows of the Guarantor only, as to the allocation and distribution of amounts standing to the credit of the Programme Accounts and their order of priority (all such orders of priority, the "**Priority of Payments**") (a) prior to an Issuer Event of Default and a Guarantor Event of Default, (b) following an Issuer Event of Default (but prior to a Guarantor Event of Default) and (c) following a Guarantor Event of Default.

Definitions

For the purposes hereof the Guarantor Available Funds are constituted by the Interest Available Funds and the Principal Available Funds, which will be calculated by BMPS on each Calculation Date.

"**Interest Available Funds**" means in respect of any Guarantor Payment Date, the aggregate of:

(i) any interest amounts collected by the Servicer in respect of the Cover Pool and credited into the Main Programme Account during the immediately preceding Collection Period;

(ii) all recoveries in the nature of interest received by the Servicer and credited to the Main Programme Account during the immediately preceding Collection Period;

(iii) all amounts of interest accrued (net of any withholding or expenses, if due) and paid on the Programme Accounts during the immediately preceding Collection Period;

(iv) any amounts standing to the credit of the Reserve Account in excess of the Required Reserve Amount, and following the service of a Guarantee Enforcement Notice, on the Guarantor, any amounts standing to the credit of the Reserve Account;

(v) any interest amounts standing to the credit of the Programme Accounts;

(vi) all interest amounts received from the Eligible Investments;

(vii) subject to item (ix) below, any amounts received under the Asset Swap Agreement and the Covered Bond Swap Agreement,

provided that, prior to the occurrence of a Guarantor Event of Default, any such amounts received on or after such Guarantor Payment Date (included) but prior to the next following Guarantor Payment Date (excluded) will be applied, together with any provision for such payments made on any preceding Guarantor Calculation Date, (i) to make payments in respect of interest due and payable, *pro rata* and *pari passu* in respect of each relevant Covered Bond Swap Agreement or, as the case may be, (ii) to make payments in respect of interest due on the Covered Bonds under the Guarantee, *pari passu* and *pro rata* in respect of each relevant Series or Tranche of Covered Bonds, or (iii) to make provision for the payment of such relevant proportion of such amounts to be paid on any other day up to the

immediately following Guarantor Payment Date, as the Guarantor Calculation Agent may reasonably determine, or otherwise;

(viii) subject to item (ix) below, any amounts received under the Covered Bond Swap Agreements other than any Swap Collateral Excluded Amounts;

(ix) any swap termination payments received from a Swap Provider under any Swap Agreement;

provided that, prior to the occurrence of a Guarantor Event of Default, such amounts will be, to the extent permitted by the relevant Swap Agreement, net of any cost necessary to replace the swap provider and find an eligible swap counterparty to enter into a replacement swap agreement;

(x) all interest amounts received from the Principal Seller (or any Additional Seller, if any) by the Guarantor pursuant to the Master Assets Purchase Agreement during the immediately preceding Collection Period;

(xi) any amounts paid as Interest Shortfall Amount out of item (*First*) of the Pre-Issuer Default Principal Priority of Payments; and

(xii) any amounts (other than the amounts already allocated under other items of the Guarantor Available Funds) received by the Guarantor from any party to the Programme Documents during the immediately preceding Collection Period.

"**Principal Available Funds**" means in respect of any Guarantor Payment Date, the aggregate of:

(i) all principal amounts collected by the Servicer in respect of the Cover Pool and credited to the Main Programme Account of the Guarantor during the immediately preceding Collection Period;

(ii) all other recoveries in respect of principal received by the Principal Servicer (and any Additional Seller, if any) and credited to the Main Programme Account of the Guarantor during the immediately preceding Collection Period;

(iii) all principal amounts received by the Guarantor from the Seller pursuant to the Master Assets Purchase Agreement during the immediately preceding Collection Period;

(iv) the proceeds of any disposal of Assets and any disinvestment of Assets or Eligible Investments;

(v) any amounts granted by the Seller under the Subordinated Loan Agreement and not used to fund the payment of the Purchase Price for any Eligible Assets and/or Top-Up Asset;

(vi) all amounts in respect of principal (if any) received under any Swap Agreements other than any Swap Collateral Excluded Amounts;

(vii) any amounts paid out of item *Ninth* of the Pre-Issuer Default Interest Priority of Payments; and

(viii) any principal amounts standing to the credit of the Programme Accounts.

Pre-Issuer Default Interest Priority of Payments

The Interest Available Funds shall be applied on each Guarantor Payment Date in making the following payments and provisions in the following order of priority (in each case only if and to the extent that payments of a higher priority have been made in full):

1. (*First*), (a) to pay, *pari passu* and *pro rata* according to the respective amounts thereof, any Expenses (to the extent that amounts standing to the credit of the Expenses Account have been insufficient to pay such amounts) and (b) to credit to the Expenses Account such an amount as will bring the balance of such account up to (but not in excess of) the Retention Amount;

2. (*Second*), to pay any amount due and payable to the Representative of the Bondholders;

3. (*Third*), to pay, *pro rata* and *pari passu*, any amount due and payable to the Principal Servicer, the Additional Servicer(s) (if any), the Back-Up Servicer (if any), the Italian Account Bank, the English Account Bank, the Payments Account Bank, the Cash Manager, the Guarantor Calculation Agent, the Pre-Issuer Default Test Calculation Agent, the Guarantor Corporate Servicer, the Italian Back-Up Account Bank and the English Back-Up Account Bank;

4. (*Fourth*), *pro rata* and *pari passu*, to pay, or make a provision for payment of such proportion of, (i) any interest amounts due to the Asset Swap Provider and (ii) any interest amounts due to the Covered Bond Swap Provider(s), *pro rata* and *pari passu* in respect of each relevant Covered Bond Swap Agreement (including, in both cases, any termination payments due and payable by the Guarantor except where the swap counterparty is the Defaulting Party or the sole Affected Party (the "**Excluded Swap Termination Amounts**"));

5. (*Fifth*), to credit to the Reserve Account an amount required to ensure that the Reserve Amount is funded up to the Required Reserve Amount, as calculated on the immediately preceding Guarantor Calculation Date;

6. (*Sixth*), to pay any Loan Interest due and payable on such Guarantor Payment Date on each Term Loan to the Subordinated Lender(s) pursuant to the terms of the Subordinated Loan Agreement, provided that (i) no Segregation Event has occurred and is continuing on such Guarantor Payment Date; and (ii) if a Segregation Event has occurred and is continuing, any amount of interest on the Covered Bonds has been duly and timely paid by the Issuer;

7. (*Seventh*), upon the occurrence of a Servicer Termination Event, to credit all remaining Interest Available Funds to the Main Programme Account until such Servicer Termination Event is either remedied or waived by the Representative of the Bondholders or a new servicer is appointed;

8. (*Eighth*), to pay *pro rata* and *pari passu* in accordance with the respective amounts thereof any Excluded Swap Termination Amounts;

9. (*Ninth*), to transfer to the Principal Available Funds an amount equal to the Interest Shortfall Amount, if any, allocated on the immediately preceding Guarantor Payment

Date under item First of the Pre-Issuer Default Principal Priority of Payments and on any preceding Guarantor Payment Dates and not already repaid;

10. (*Tenth*), to pay to the Principal Seller and to the Additional Seller(s) (if any), any amount due and payable under the Programme Documents, to the extent not already paid or payable under other items of this Pre-Issuer Default Interest Priority of Payments;

11. (*Eleventh*), *pari passu* and *pro rata* according to the respective amounts thereof, (i) to pay any Premium on the Programme Term Loans and (ii) to repay any Excess Term Loan Amount, provided that no Segregation Event has occurred and is continuing.

Pre-Issuer Default Principal Priority of Payments

The Principal Available Funds shall be applied on each Guarantor Payment Date in making the following payments and provisions in the following order of priority (in each case only if and to the extent that payments of a higher priority have been made in full):

1. (*First*), to pay any amount payable as Interest Shortfall Amount;

2. (*Second*), to acquire New Portfolios and/or Top-Up Assets and/or other Eligible Assets (other than those funded through the proceeds of a Term Loan);

3. (*Third*), to pay, *pari passu* and *pro rata* in accordance with the respective amounts thereof: (a) any principal amounts due or to become due and payable to the relevant Swap Providers *pro rata* and *pari passu* in respect of each relevant Swap Agreement; and (b) (where appropriate, after taking into account any amounts in respect of principal to be received from a Swap Provider on such Guarantor Payment Date or such other date up to the next following Guarantor Payment Date as the Guarantor Calculation Agent may reasonably determine) on each Guarantor Payment Date that falls on an Interest Payment Date, the amounts (in respect of principal) due or to become due and payable under the Term Loan, provided in any case no Segregation Event has occurred and is continuing and/or, where applicable, provided that no amounts shall be applied to make a payment in respect of a Term Loan if the principal amounts outstanding under the relevant Series or Tranche of Covered Bonds which have fallen Due for Payment on such relevant Guarantor Payment Date have not been repaid in full by the Issuer.

Guarantee Priority of Payments

Following the delivery of a Guarantee Enforcement Notice, the Guarantor Available Funds shall be applied on each Guarantor Payment Date in making the following payments and provisions in the following order of priority (in each case only if and to the extent that payments of a higher priority have been made in full):

1. (*First*), (a) to pay, *pari passu* and *pro rata*, any Expenses (to the extent that amounts standing to the credit of the Expenses Account have been insufficient to pay such amounts) and (b) to credit to the Expenses Account such an amount as will bring the balance of such account up to (but not in excess of) the Retention Amount;

2. (*Second*), to pay any amount due and payable to the Representative of the Bondholders;

3. (*Third*), to pay, *pari passu* and *pro rata* according to the respective amounts thereof, any amount due and payable to the Principal Servicer, the Additional Servicer(s) (if any), the

Back-Up Servicer (if any), the Italian Account Bank, the Guarantor Calculation Agent, the Guarantor Corporate Servicer, the Asset Monitor, the Principal Paying Agent, the Paying Agent(s) (if any), the Luxembourg Listing and Paying Agent, the Portfolio Manager (if any), the Pre-Issuer Default Test Calculation Agent, the Post-Issuer Default Test Calculation Agent, the Italian Back-Up Account Bank, the English Back-Up Account Bank and the Payments Account Bank;

4. (*Fourth*), *pari passu* and *pro rata* according to the respective amounts thereof, (i) any amount due to the Asset Swap Provider (including any termination payment due and payable by the Guarantor other than any Excluded Swap Termination Amounts); (ii) any interest amounts due to the Covered Bond Swap Provider(s), *pro rata* and *pari passu* in respect of each relevant Covered Bond Swap Agreement (including any termination payments due and payable by the Guarantor other than any Excluded Swap Termination Amounts); and (iii) on any Guarantor Payment Date, any interest due and payable on such Guarantor Payment Date (or that will become due and payable on the immediately succeeding Guarantor Payment Date) under the Guarantee in respect of each Pass Through Series, Series or Tranche of Covered Bonds *pari passu* and *pro rata* in respect of each such Pass Through Series, Series or Tranche of Covered Bonds;

5. (*Fifth*), *pari passu* and *pro rata* (a) in or towards payment on the Guarantor Payment Date or to make a provision for payment of such proportion of any relevant amount falling due up to the next following Guarantor Payment Date as the Guarantor Calculation Agent may reasonably determine, of the amounts in respect of principal due or to become due and payable to the relevant Swap Provider *pro rata* and *pari passu* in respect of each relevant Swap Agreement (including any termination payment due and payable by the Guarantor under the relevant Swap Agreement, other than any Excluded Swap Termination Amount) in accordance with the terms of the relevant Swap Agreement; (b) *pari passu* and *pro rata* among any Pass Through Series, Series or Tranche of Covered Bonds, in or towards payment or to make a provision for payment, on each Guarantor Payment Date (where appropriate, after taking into account any amounts in respect of principal to be received from a Covered Bond Swap Provider) of principal amounts (that are payable on any Pass Through Series and due and payable in respect of any other Series or Tranche of Covered Bonds on such Guarantor Payment Date or that will become payable on any Pass Through Series and due and payable in respect of any other Series or Tranche of Covered Bonds up to the immediately succeeding Guarantor Payment Date) under the Guarantee in respect of such Pass Through Series, Series or Tranche of Covered Bonds;

6. (*Sixth*), until each Series or Tranche of Covered Bonds has been fully repaid or repayment in full of the Covered Bonds has been provided for (such that the Required Redemption Amount has been accumulated in respect of each outstanding Series or Tranche of Covered Bonds), to credit any remaining amounts to the Main Programme Account;

7. (*Seventh*), to pay *pro rata* and *pari passu*, any Excluded Swap Termination Amount due and payable by the Guarantor;

8. (*Eighth*), to pay to the Principal Seller and to the Additional Seller(s) (if any) any amount due and payable under the Programme Documents, to the extent not already paid or payable under other items of this Guarantee Priority of Payments;

9. (*Ninth*), to pay *pari passu* and *pro rata* according to the respective amounts thereof any interest and principal amount outstanding and Premium (if any), on each Term Loan under the Subordinated Loan Agreement(s).

Post-enforcement Priority of Payments

Following a Guarantor Event of Default, the making of a demand under the Guarantee and the delivery of a Guarantor Default Notice by the Representative of the Bondholders, the Guarantor Available Funds shall be applied, on each Guarantor Payment Date, in making the following payments in the following order of priority:

1. (*First*), to pay, *pari passu* and *pro rata* according to the respective amounts thereof, any Expenses (to the extent that amounts standing to the credit of the Expenses Account have been insufficient to pay such amounts);

2. (*Second*), to pay any amount due and payable to the Representative of the Bondholders;

3. (*Third*), to pay, *pro rata* and *pari passu*, (i) any amount due and payable to the Principal Servicer, the Additional Servicer(s) (if any), the Back-Up Servicer (if any), the Italian Account Bank, the Guarantor Calculation Agent, the Guarantor Corporate Servicer, the Asset Monitor, the Principal Paying Agent, the Paying Agent(s) (if any), the Portfolio Manager (if any), the Italian Back-Up Account Bank, the English Back-Up Account Bank and the Payments Account Bank; (ii) amounts due to the Covered Bond Swap Provider(s) and the Asset Swap Provider and any other Swap Provider(s) (if any) other than any Excluded Swap Termination Amount; and (iii) amounts due under the Guarantee in respect of each Pass Through Series, Series or Tranche of Covered Bonds;

4. (*Fourth*), to pay *pro rata* and *pari passu*, any Excluded Swap Termination Amount due and payable by the Guarantor;

5. (*Fifth*), to pay to the Principal Seller and to the Additional Seller(s) (if any) any amount due and payable under the Programme Documents, to the extent not already paid or payable under other items of this Post-enforcement Priority of Payments;

6. (*Sixth*), to pay or repay any amounts outstanding under the Subordinated Loan Agreement(s).

DESCRIPTION OF THE COVER POOL

The Cover Pool is and will be comprised of (a) Mortgage Loans and the related collateral and (b) Asset Backed Securities, assigned to the Guarantor by the Principal Seller and/or the Additional Seller(s) in accordance with the terms of the Master Assets Purchase Agreement, (ii) any proceeds arising from the Swap Agreements and (iii) any other Eligible Assets in accordance with Law 130, the Decree No. 310 and the Bank of Italy Regulations and any other Top-Up Assets.

As at the date of this Prospectus, the Initial Portfolio and each New Portfolio (the "**Portfolio**") consists of Residential Mortgage Loans transferred by the Principal Seller and by Banca Antonveneta S.p.A., as Additional Seller to the Guarantor in accordance with the terms of the Master Assets Purchase Agreement, as more fully described under "*Description of the Programme Documents - Master Assets Purchase Agreement*".

The Debtors of the Receivables comprised in the Cover Pool were 135,095 as at 30 June 2016 and none of them has a debt equal to or higher than 20% of the value of the Cover Pool.

No revaluation of the relevant properties has been made by BMPS for the purpose of any issue under the Programme. Any valuation has been performed only as at the date of the origination of any Mortgage Loan.

For the purposes hereof:

"**Initial Portfolio**" means the first portfolio of Receivables and related Security Interests purchased by the Guarantor on 25 May 2010, pursuant to the terms and subject to the conditions of the Master Assets Purchase Agreement.

"**Second Portfolio**" means the second portfolio of Receivables and related Security Interests purchased by the Guarantor on 29 November 2010, pursuant to the terms and subject to the conditions of the Master Assets Purchase Agreement.

"**Third Portfolio**" means the third portfolio of Receivables and related Security Interests purchased by the Guarantor on 28 February 2011, pursuant to the terms and subject to the conditions of the Master Assets Purchase Agreement.

"**BAV Portfolio**" means the first portfolio of Receivables and related Security Interests purchased by the Guarantor from BAV on 27 May 2011, pursuant to the terms and subject to the conditions of the Master Assets Purchase Agreement.

"**Fourth Portfolio**" means the fourth portfolio of Receivables and related Security Interests purchased by the Guarantor on 21 September 2011, pursuant to the terms and subject to the conditions of the Master Assets Purchase Agreement.

"**Fifth Portfolio**" means the fifth portfolio of Receivables and related Security Interests purchased by the Guarantor on 17 June 2013, pursuant to the terms and subject to the conditions of the Master Assets Purchase Agreement.

"**Sixth Portfolio**" means the sixth portfolio of Receivables and related Security Interests purchased by the Guarantor on 21 September 2015, pursuant to the terms and subject to the conditions of the Master Assets Purchase Agreement.

"**New Portfolio**" means any further portfolio of Assets (other than the Initial Portfolio) which may be purchased by the Guarantor pursuant to the terms and subject to the conditions of the Master Assets Purchase Agreement.

Eligibility Criteria

The sale of the Receivables and their related Security Interest and the transfer of any other Eligible Assets and Top-Up Asset to the Guarantor will be subject to various conditions (the "**Eligibility Criteria**") being satisfied on the relevant Valuation Date (except as otherwise indicated). The Eligibility Criteria with respect to each asset type will vary from time to time but will at all times include criteria so that both Italian law and Rating Agencies requirements are met. In addition, under the Master Assets Purchase Agreement it is established that the parties may amend the Criteria, provided that any such amendment shall be notified to the Representative of the Bondholders and the Rating Agencies.

Common Criteria for the transfer of the Receivables

The Receivables transferred and to be transferred from time to time to the Guarantor pursuant to the Master Assets Purchase Agreement shall and will meet the following criteria (the "**Common Criteria**") (to be deemed cumulative unless otherwise provided) on each relevant Valuation Date (or at such other date specified below):

Receivables arising from Mortgage Loans:

1. which are residential mortgage receivables, in respect of which the relevant amount outstanding added to the principal amount outstanding of any higher ranking mortgage loans secured by the same Real Estate Asset, does not exceed 80 per cent of the value of the Real Estate Asset as at the relevant date of new valuation (*data di rivalutazione*), in accordance with Decree No. 310 and to which the 35% risk weighting applies;

2. that did not provide at the time of disbursement for any subsidy or other benefit in relation to principal or interest (*mutui agevolati*);

3. that have not been granted to public entities (*enti pubblici*), clerical entities (*enti ecclesiastici*) or public consortium (*consorzi pubblici*);

4. that are not consumer loans (*crediti al consumo*);

5. that are not *mutui agrari* pursuant to Articles 43, 44 and 45 of the Consolidated Banking Act;

6. that are secured by a mortgage created over Real Estate Assets in accordance with applicable laws and regulations which are located in the Republic of Italy;

7. the payment of which is secured by a first economic ranking mortgage (*ipoteca di primo grado economico*), such term meaning (i) a first legal ranking mortgage (*ipoteca di primo grado legale*) or (ii) (A) a second or subsequent ranking priority mortgage in respect of which the lender secured by the first ranking priority mortgage is the Seller and with respect to which the obligations secured by the mortgage(s) ranking prior to such second or subsequent mortgage have been fully satisfied, or (B) a second or subsequent ranking priority mortgage in respect of which the obligations

secured by the mortgage(s) ranking prior to such second or subsequent mortgage have been fully satisfied and the relevant lender has formally consented to the cancellation of the mortgage(s) ranking prior to such subsequent mortgage, or (C) a second or subsequent ranking priority mortgage in respect of which the lender secured by the mortgage(s) ranking prior to such second or subsequent mortgage is the Seller (even if the obligations secured by such ranking priority mortgage(s) have not been fully satisfied) and the Receivables secured by the prior ranking priority mortgages arise from Mortgage Loans meeting the Criteria;

8. in respect of which the hardening period (*periodo di consolidamento*) applicable to the relevant mortgage has expired and the relevant mortgage is not capable of being challenged pursuant to Article 67 of the Bankruptcy Law and, if applicable, of Art. 39, fourth paragraph of the Consolidated Banking Act;

9. that are fully disbursed and in relation to which there is no obligation or possibility to make additional disbursements;

10. for which at least an Instalment inclusive of principal has been paid before the Valuation Date (i.e. Mortgage Loans that are not in the pre-amortising phase);

11. in respect of which all other previous Instalments falling due before the transfer date have been fully paid or, as of the transfer date, did not have any Instalment pending for 30 days or more than 30 days from its due date;

12. that are governed by Italian law;

13. that have not been granted to individuals that as of the origination date were employees or former (*a riposo*) employees of Montepaschi Group (including also loans granted to two or more individuals, one of which was an employee or a manager of Montepaschi Group as of the transfer date);

14. that are denominated in Euro;

15. which provide for the payment by the Debtor of monthly, quarterly or semi annual Instalments;

16. which are not additional mortgage loans (*mutui suppletivi*) (each being a mortgage loan secured with a mortgage over Real Estate Assets already mortgaged in connection with another mortgage loan (*mutuo fondiario*) granted by Banca Monte dei Paschi di Siena S.p.A.).

Common Criteria for the transfer of the Asset Backed Securities

The Asset Backed Securities to be transferred from time to time to the Guarantor pursuant to the Master Assets Purchase Agreement shall and will meet the following Common Criteria (to be deemed cumulative unless otherwise provided) on each relevant Valuation Date (or at such other date specified below):

1. "asset backed" securities issued in the context of securitisation transactions made pursuant to Law 130 of 30 April 1999, provided that at least 95% of the relevant securitised assets are receivables and securities as indicated in paragraphs a), b) and c)

of article 2 of Decree of the Italian Ministry for the Economy and Finance No. 310 of 14 December 2006;

2. for which a risk weight not exceeding 20% is applicable in accordance with the rules regulating the standardised approach for determination of the financial requirements of the banks with respect to the credit risk, pursuant to European Directive number 48 of 2006 (*Disciplina prudenziale – metodo standardizzato*);

3. compliance with the requirements set out by the ECB Guidelines.

Specific Criteria for the transfer of the Receivables

The Receivables included in each Portfolio (other than the Initial Portfolio) to be transferred from time to time to the Guarantor under the Master Assets Purchase Agreement shall meet, in addition to the Common Criteria, further specific criteria (to be deemed cumulative unless otherwise provided), as at the relevant Valuation Date (or at such other date specified below) listed in the Master Assets Purchase Agreement under schedule 1, part IV relating to, *inter alia*, the amount of disbursement, the execution date, the disbursement date, the instalments, the relevant Mortgage Loan Agreements, the relevant Real Estate Assets, the relevant guarantor, the category of natural persons (*persone fisiche*) to which they have been granted, the ratio.

Specific Criteria for the transfer of the Asset Backed Securities

The Asset Backed Securities included in each Portfolio (other than the Initial Portfolio) to be transferred from time to time to the Guarantor under the Master Assets Purchase Agreement shall meet, in addition to the Common Criteria, further specific criteria (to be deemed cumulative unless otherwise provided), as at the relevant Valuation Date (or at such other date specified below)as listed in the Master Assets Purchase Agreement under schedule 1, part IV and relating to, *inter alia*, the name of the Issuer, the nominal amount, the maturity date, the outstanding principal balance, the issue date, the ISIN code and the applicable law.

Specific Criteria for the transfer of the Receivables included in the Initial Portfolio

The Receivables included in the Initial Portfolio transferred to the Guarantor, on 25 May 2010, under the Master Assets Purchase Agreement met, in addition to the Common Criteria, the following Specific Criteria (to be deemed cumulative unless otherwise provided), as at the relevant Valuation Date (or at such other date specified below):

Receivables arising from Mortgage Loans:

1. in respect of which the disbursed amount at the date of the disbursement is equal or greater than 10 per cent of the value of the Real Estate Asset as at the relevant appraisal date (*data di perizia*);

2. in respect of which the relevant Mortgage Loan Agreement has been entered into after 1 January 2008 included;

3. in respect of which the disbursement date, without any consideration for the value date (*data valuta*) falls (i) no later than 31 December 2009 (included) in respect of the Mortgage Loans providing for the payment by the Debtor on a monthly basis; (ii) no later than 30 September 2009 (included) in respect of the Mortgage Loans providing

for the payment by the Debtor on a quarterly basis; (iii) no later than 30 June 2009 (included) in respect of the Mortgage Loans providing for the payment by the Debtor on a semi annual basis;

4. in respect of which all the Instalments falling due before the Valuation Date have been paid;

5. in respect which of no partial prepayments of undue Instalments were made;

6. in respect of which the disbursed amount is comprised between €20,000.00 (included) and €1,500,000.00 (included);

7. in respect of which the relevant Mortgage Loan Agreements expressly specify to have been granted for the purpose of purchasing or restructuring or purchasing and restructuring a property (including Mortgage Loan Agreements arising from the subrogation (*surroga*) of mortgage loans which had been granted for the purpose of purchasing/restructuring/purchasing and restructuring residential properties with specific destination of house of residence);

8. in respect of which the relevant Real Estate Asset falls within the following Italian cadastral categories: A1, A2, A3, A4, A5, A6, A7, A8, A9 or A11;

9. which have been granted by Banca Monte dei Paschi di Siena S.p.A., Banca Agricola Mantovana S.p.A. (incorporated as of 16 September 2008) and Banca Toscana S.p.A. (incorporated as of 24 March 2009);

10. which have been granted to natural persons (*persone fisiche*) resident in Italy who, in accordance with the classification criteria adopted by the Bank of Italy pursuant to Circular number 140 of 11 February 1991, as amended on 7 August 1998, fell into the category 600 ("*famiglie consumatrici*"), whose administrative profile falls under the "ordinary risk" category (this means loans in relation to which there are no unpaid instalments nor is there pending litigation);

11. which have been granted to one or more individuals (*persone fisiche o cointestatari*) (with the exclusion of enterprises owned by a single individual (*ditte individuali*) or *società di fatto*);

12. which were not disbursed by the branches indicated in the notice of assignment published in the Official Gazette of the Republic of Italy (*Gazzetta Ufficiale della Repubblica Italiana*) Section 2, number 149 of 29 December 2009;

13. not having a fixed Instalment and variable duration;

14. not disbursed through third party funds, i.e. loans disbursed, also in part, through funds of the European Investment Bank (B.E.I.) or of the Social Development Fund of the Council of Europe or of specific national public entities (*Enti pubblici nazionali*, i.e. *Cassa Depositi e Prestiti – Finanziarie Regionali*);

15. which have not been granted to Debtors who have taken part or have applied to take part to "*Combatti la crisi*", or any other similar initiatives promoted by BMPS, or the Convention between ABI and the main consumers' associations ("*Piano Famiglie*") of 18 December 2009;

16. which are not modular loans (in this context modular loans are loans with an initial period at a fixed interest rate and subsequent periods in which the Debtor, pursuant to predetermined contractual terms, has an option between (i) a contractually predetermined fixed rate and (ii) a floating rate based on a predetermined index (*indice*) and a spread);

17. which have not been renegotiated pursuant to Legislative Decree number 93 of 2008, converted into Law number 126 of 24 July 2008;

18. in respect of which the ratio between the value of the registration of the relevant Mortgage and the disbursed amount, at the date of the disbursement, was comprised between 1.5 (included) and 5 (included);

19. which have not been granted to Debtors involved in the seismic events falling under the applicability of Law Decree number 39 of 28 April 2009, converted into Law number 74 of 24 June 2009;

20. which have not been fractionated (*mutui frazionati*);

21. which have not been granted in order to purchase properties which are under construction (*mutui edilizi*);

22. which are not Mortgage Loans that, although meeting these criteria, have an outstanding amount lower than another Mortgage Loan granted to the same Debtor that meets these criteria as well.

Specific Criteria for the transfer of the Receivables included in the Second Portfolio

The Receivables included in the Second Portfolio transferred to the Guarantor, on 29 November 2010, under the Transfer Agreement met, in addition to the Common Criteria, the following Specific Criteria (to be deemed cumulative unless otherwise provided), as at the relevant Valuation Date (or at such other date specified below):

Receivables arising from Mortgage Loans:

1. in respect of which the disbursed amount at the date of the disbursement is equal or greater than 10 per cent of the value of the Real Estate Asset as at the relevant appraisal date (*data di perizia*);

2. in respect of which the relevant Mortgage Loan Agreement has been entered into after 1 January 2008;

3. in respect of which the disbursement date falls no later than 31 July 2010;

4. in respect of which the redemption date (*data di svincolo*) falls no later than 30 September 2010

5. in respect of which all the Instalments falling due before the Valuation Date have been paid;

6. in respect which of no partial prepayments of undue Instalments were made;

7. in respect of which the disbursed amount is comprised between €20,000.00 (included) and €1,500,000.00 (included);

8. in respect of which the relevant Mortgage Loan Agreements expressly specify to have been granted for the purpose of purchasing or restructuring a property (including Mortgage Loan Agreements arising from the subrogation (*surroga*) of mortgage loans which had been granted for the purpose of purchasing/restructuring/purchasing and restructuring residential properties with specific destination of house of residence);

9. in respect of which the relevant Real Estate Asset falls within the following Italian cadastral categories: A1, A2, A3, A4, A5, A6, A7, A8, A9 or A11;

10. which have been granted by Banca Monte dei Paschi di Siena S.p.A., Banca Agricola Mantovana S.p.A. (acquired by BMPS on 16 September 2008) and Banca Toscana S.p.A. (acquired by BMPS on 24 March 2009);

11. which have been granted to natural persons (*persone fisiche*) resident in Italy who, in accordance with the classification criteria adopted by the Bank of Italy pursuant to Circular number 140 of 16 February 1991, as amended on 7 August 1998, fell into the category 600 ("*famiglie consumatrici*"), whose administrative profile falls under the "ordinary risk" (i.e. *rischio ordinario*) category (loans in relation to which there are no unpaid instalments nor there is any pending litigation);

12. which have been granted to one or more individuals (*persone fisiche o cointestatari*) (with the exclusion of enterprises owned by a single individual (*ditte individuali*) or *società di fatto*);

13. which were not granted by the branches indicated in the notice of assignment published in the Official Gazette of the Republic of Italy (*Gazzetta Ufficiale della Repubblica Italiana*) Section 2, number 149 of 29 December 2009;

14. not having a fixed Instalment and variable duration;

15. not disbursed through third party funds, i.e. loans disbursed, also in part, through funds of the European Investment Bank (B.E.I.) or of the Social Development Fund of the Council of Europe or of specific national public entities (*Enti pubblici nazionali*, i.e. *Cassa Depositi e Prestiti – Finanziarie Regionali*);

16. which have not been granted to Debtors who have taken part or have applied to take part to "*Combatti la crisi*", or any other similar initiatives promoted by BMPS, or the Convention between ABI and the main consumers' associations ("*Piano Famiglie*") of 18 December 2009;

17. which are not modular loans (in this context modular loans are loans with an initial period at a fixed interest rate and subsequent periods in which the Debtor, pursuant to predetermined contractual terms, has an option between (i) a contractually predetermined fixed rate and (ii) a floating rate based on a predetermined index (indice) and a spread);

18. which have not been renegotiated pursuant to Legislative Decree number 93 of 2008, converted into Law number 126 of 24 July 2008;

19. in respect of which the ratio between the value of the registration of the relevant Mortgage and the disbursed amount, at the date of the disbursement, was comprised between 1.5 (included) and 5 (included);

20. which have not been granted to Debtors involved in the seismic events falling under the applicability of Law Decree number 39 of 28 April 2009, converted into Law number 74 of 24 June 2009;

21. which have not been fractionated (*mutui frazionati*);

22. which have not been granted in order to purchase properties which are under construction (*mutui edilizi*);

23. which are not Mortgage Loans that, although meeting these criteria, have an outstanding amount lower than another Mortgage Loan granted to the same Debtor that meets these criteria as well.

Specific Criteria for the transfer of the Receivables included in the Third Portfolio

The Receivables included in the Third Portfolio transferred to the Guarantor, on 28 February 2011, under the Transfer Agreement met, in addition to the Common Criteria, the following Specific Criteria (to be deemed cumulative unless otherwise provided), as at the relevant Valuation Date (or at such other date specified below):

Receivables arising from Mortgage Loans:

1. in respect of which the disbursed amount at the date of the disbursement is equal or greater than 1 per cent of the value of the Real Estate Asset as at the relevant appraisal date (*data di perizia*);

2. in respect of which the disbursement date, without any consideration for the value date (*data valuta*), falls no later than 31 December 2010 (included);

3. in respect of which all the Instalments falling due before the Valuation Date have been paid;

4. in respect which of no partial prepayments of undue Instalments were made;

5. in respect of which the Outstanding Principal is higher than €10,000.00 (included);

6. in respect of which the Outstanding Principal is lower than €1,500,000.00 (included);

7. in respect of which the relevant Real Estate Asset falls within the following Italian cadastral categories: A1, A2, A3, A4, A5, A6, A7, A8, A9 or A11;

8. which have been subject to, upon filing of the relevant request, the intermediation of branches of Banca Monte dei Paschi di Siena S.p.A., branches of Banca Agricola Mantovana S.p.A. (acquired by BMPS on 16 September 2008), branches of Banca Antonveneta S.p.A (acquired by BMPS on 22 December 2008), branches of Banca Toscana S.p.A. (acquired by BMPS on 24 March 2009) and branches of Banca Personale S.p.A. (acquired by BMPS on 16 April 2010);

9. which have been granted to natural persons (*persone fisiche*) resident in Italy who, in accordance with the classification criteria adopted by the Bank of Italy pursuant to Circular number 140 of 11 February 1991, as amended on 7 August 1998, fell into the category 600 ("*famiglie consumatrici*"), 614 ("*artigiani*") and 615 ("*altre famiglie produttrici*") of the SAE Code (Business Activity Code) and whose administrative profile falls under the "ordinary risk" (i.e. *rischio ordinario*) category (loans in relation to which there are no unpaid instalments nor there is any pending litigation);

10. which have been granted to one or more individuals (*persone fisiche o cointestatari*) (with the exclusion of enterprises owned by a single individual (*ditte individuali*) or *società di fatto*);

11. which were not granted by the branches indicated in the notice of assignment published in the Official Gazette of the Republic of Italy (*Gazzetta Ufficiale della Repubblica Italiana*) Section 2, number 149 of 29 December 2009;

12. not disbursed through third party funds, i.e. loans disbursed, also in part, through funds of the European Investment Bank (B.E.I.) or of the Social Development Fund of the Council of Europe or of specific national public entities (*Enti pubblici nazionali*, i.e. *Cassa Depositi e Prestiti – Finanziarie Regionali*);

13. which have not been granted to Debtors who have taken part or have applied to take part to "*Combatti la crisi*", or any other similar initiatives promoted by BMPS, or the Convention between ABI and the main consumers' associations ("*Piano Famiglie*") of 18 December 2009;

14. which have not been renegotiated pursuant to Legislative Decree number 93 of 2008, converted into Law number 126 of 24 July 2008;

15. in respect of which the ratio between the value of the registration of the relevant Mortgage and the disbursed amount, at the date of the disbursement, was comprised between 1.5 (included) and 5 (included);

16. which have not been granted to Debtors involved in the seismic events falling under the applicability of Law Decree number 39 of 28 April 2009, converted into Law number 74 of 24 June 2009;

17. with a floating rate whose spread, together with the relevant predetermined contractual index (indice), is lower than 2,35 %;

18. with a fixed rate lower than 8%;

19. in respect of which the relevant mortgage value is higher than €10;

20. which are not Mortgage Loans that, although meeting these criteria, have an outstanding amount lower than another Mortgage Loan granted to the same Debtor that meets these criteria as well.

Specific Criteria for the transfer of the Receivables included in the BAV Portfolio

The Receivables included in the BAV Portfolio transferred to the Guarantor, on 27 May 2011, under the Transfer Agreement met, in addition to the Common Criteria, the following

Specific Criteria (to be deemed cumulative unless otherwise provided), as at the relevant Valuation Date (or at such other date specified below):

Receivables arising from Mortgage Loans:

1. in respect of which the disbursed amount at the date of the disbursement is equal or greater than 1 per cent of the value of the Real Estate Asset as at the relevant appraisal date (*data di perizia*);

2. in respect of which the disbursed amount at the date of the disbursement is equal or lower than 120 per cent of the value of the Real Estate Asset as at the relevant appraisal date (*data di perizia*);

3. in respect of which the disbursement date, without any consideration for the value date (*data valuta*), falls no later than 31 December 2010 (included);

4. in respect of which all the Instalments falling due before the Valuation Date have been paid;

5. in respect of which of no partial prepayments of undue Instalments were made;

6. in respect of which the Outstanding Principal is equal or greater than €5,000.00 and lower than €2.000.000,00 (included);

7. in respect of which the relevant Real Estate Asset falls within the following Italian cadastral categories: A1, A2, A3, A4, A5, A6, A7, A8, A9 or A11;

8. which have been subject to, upon filing of the relevant request, the intermediation of branches of Banca Antonveneta S.p.A and branches of Banca Agricola Mantovana S.p.A. (acquired by BMPS on 16 September 2008);

9. which have been granted to natural persons (*persone fisiche*) resident in Italy who, in accordance with the classification criteria adopted by the Bank of Italy pursuant to Circular number 140 of 11 February 1991, as amended on 7 August 1998, fell into the category 600 ("*famiglie consumatrici*"), 614 ("*artigiani*") and 615 ("*altre famiglie produttrici*") of the SAE Code (*Business Activity Code*) and whose administrative profile falls under the "ordinary risk" (i.e. *rischio ordinario*) category (loans in relation to which there are no unpaid instalments nor there is any pending litigation);

10. which have been granted to one or more individuals (*persone fisiche o cointestatari*) (with the exclusion of enterprises owned by a single individual (*ditte individuali*) or *società di fatto*);

11. which were not granted by the branches indicated in the notice of assignment published in the Official Gazette of the Republic of Italy (*Gazzetta Ufficiale della Repubblica Italiana*) Section 2, number 149 of 29 December 2009;

12. not disbursed through third party funds, i.e. loans disbursed, also in part, through funds of the European Investment Bank (B.E.I.) or of the Social Development Fund of the Council of Europe or of specific national public entities (*Enti pubblici nazionali*, i.e. *Cassa Depositi e Prestiti – Finanziarie Regionali*);

13. which have not been granted to Debtors who have taken part or have applied to take part to "*Combatti la crisi*", or any other similar initiatives promoted by BMPS, or the Convention between ABI and the main consumers' associations ("*Piano Famiglie*") of 18 December 2009;

14. which have not been renegotiated pursuant to Legislative Decree number 93 of 2008, converted into Law number 126 of 24 July 2008;

15. in respect of which the ratio between the value of the registration of the relevant Mortgage and the disbursed amount, at the date of the disbursement, was comprised between 1.5 (included) and 5 (included);

16. which have not been granted to Debtors involved in the seismic events falling under the applicability of Law Decree number 39 of 28 April 2009, converted into Law number 74 of 24 June 2009;

17. with a floating rate whose spread, together with the relevant predetermined contractual index (indice), is lower than 3 %;

18. with a fixed rate equal or lower than 8%;

19. in respect of which the relevant mortgage value is higher than €10;

20. which the residual debt is higher than €10.000,00 (included);

21. which are not Mortgage Loans that, although meeting these criteria, have an outstanding amount lower than another Mortgage Loan granted to the same Debtor that meets these criteria as well.

Specific Criteria for the transfer of the Receivables included in the Fourth Portfolio

The Receivables included in the Fourth Portfolio transferred to the Guarantor, on 21 September 2011, under the Transfer Agreement met, in addition to the Common Criteria, the following Specific Criteria (to be deemed cumulative unless otherwise provided), as at the relevant Valuation Date (or at such other date specified below):

Receivables arising from Mortgage Loans:

1. in respect of which the disbursed amount at the date of the disbursement is equal or greater than 1 per cent of the value of the Real Estate Asset as at the relevant appraisal date (*data di perizia*);

2. which have been granted to natural persons (persone fisiche) resident in Italy who, in accordance with the classification criteria adopted by the Bank of Italy pursuant to Circular number 140 of 11 February 1991, as amended on 7 August 1998, fell into the category 600 ("*famiglie consumatrici*"), 614 ("*artigiani*") and 615 ("*altre famiglie produttrici*") of the SAE Code (Business Activity Code) and whose administrative profile falls under the "ordinary risk" (i.e. *rischio ordinario*) category (loans in relation to which there are no unpaid instalments nor there is any pending litigation);

3. in respect of which the disbursed amount at the date of the disbursement is equal or lower than 120 per cent of the value of the Real Estate Asset as at the relevant

appraisal date (*data di perizia*) for mortgage loans granted to natural persons (*persone fisiche*) who fell into the category 600 ("*famiglie consumatrici*") and is equal or lower than 80 per cent of the value of the Real Estate Asset as at the relevant appraisal date (*data di perizia*) for mortgage loans granted to natural persons (*persone fisiche*) who fell into the category 614 ("*artigiani*") and 615 ("*altre famiglie produttrici*");

4. in respect of which the disbursement date, without any consideration for the value date (*data valuta*), falls no later than 30 June 2011 (included);

5. in respect of which all the Instalments falling due before the Valuation Date have been paid;

6. in respect of which no partial prepayments of undue Instalments were made;

7. in respect of which the Outstanding Principal is equal or greater than €5,000.00

8. in respect of which the Outstanding Principal is lower than €2.000.000,00 (included);

9. in respect of which the relevant Real Estate Asset falls within the following Italian cadastral categories: A1, A2, A3, A4, A5, A6, A7, A8, A9 or A11;

10. which have been subject to, upon filing of the relevant request, the intermediation of branches of Banca Monte dei Paschi di Siena S.p.A., branches of Banca Agricola Mantovana S.p.A. (acquired by BMPS on 16 September 2008), branches of Banca Antonveneta S.p.A (acquired by BMPS on 22 December 2008), branches of Banca Toscana S.p.A. (acquired by BMPS on 24 March 2009) and branches of Banca Personale S.p.A. (acquired by BMPS on 16 April 2010);

11. which have been granted to one or more individuals (*persone fisiche o cointestatari*) (with the exclusion of enterprises owned by a single individual (*ditte individuali*) or società di fatto);

12. not disbursed through third party funds, i.e. loans disbursed, also in part, through funds of the European Investment Bank (B.E.I.) or of the Social Development Fund of the Council of Europe or of specific national public entities (*Enti pubblici nazionali*, i.e. *Cassa Depositi e Prestiti – Finanziarie Regionali*);

13. which have not been granted to Debtors who have taken part or have applied to take part to "*Combatti la crisi*", or any other similar initiatives promoted by BMPS, or the Convention between ABI and the main consumers' associations ("*Piano Famiglie*") of 18 December 2009;

14. which have not been renegotiated pursuant to Legislative Decree number 93 of 2008, converted into Law number 126 of 24 July 2008;

15. in respect of which the ratio between the value of the registration of the relevant Mortgage and the disbursed amount, at the date of the disbursement, was comprised between 1.5 (included) and 5 (included);

16. which have not been granted to Debtors involved in the seismic events falling under the applicability of Law Decree number 39 of 28 April 2009, converted into Law number 74 of 24 June 2009;

17. with a floating rate whose spread, together with the relevant predetermined contractual index (*indice*), is lower than 3 %;

18. with a fixed rate equal or lower than 8%;

19. in respect of which the relevant mortgage value is higher than €10;

20. which are not Mortgage Loans that, although meeting these criteria, have an outstanding amount lower than another Mortgage Loan granted to the same Debtor that meets these criteria as well.

Specific Criteria for the transfer of the Receivables included in the Fifth Portfolio

The Receivables included in the Fifth Portfolio transferred to the Guarantor, on 17 June 2013, under the Transfer Agreement met, in addition to the Common Criteria, the following Specific Criteria (to be deemed cumulative unless otherwise provided), as at the relevant Valuation Date (or at such other date specified below):

Receivables arising from Mortgage Loans:

1. in respect of which the disbursed amount at the date of the disbursement is equal or greater than 1 per cent of the value of the Real Estate Asset as at the relevant appraisal date (*data di perizia*);

2. which have been granted to natural persons (*persone fisiche*) resident in Italy who, in accordance with the classification criteria adopted by the Bank of Italy pursuant to Circular number 140 of 11 February 1991, as amended on 7 August 1998, fell into the category 600 ("*famiglie consumatrici*"), 614 ("*artigiani*") and 615 ("*altre famiglie produttrici*") of the SAE Code (Business Activity Code) and whose administrative profile falls under the "ordinary risk" (i.e. *rischio ordinario*) category (loans in relation to which there are no unpaid instalments nor there is any pending litigation);

3. in respect of which the disbursed amount at the date of the disbursement is equal or lower than 100 per cent of the value of the Real Estate Asset as at the relevant appraisal date (*data di perizia*);

4. in respect of which the disbursement date, without any consideration for the value date (*data valuta*), falls no later than 30 March 2013 (included);

5. in respect of which all the Instalments falling due before the Valuation Date have been paid;

6. in respect of which no partial prepayments of undue Instalments were made;

7. in respect of which the Outstanding Principal is equal or greater than €5,000.00

8. in respect of which the Outstanding Principal is lower than €2.000.000,00 (included);

9. in respect of which the relevant Real Estate Asset falls within the following Italian cadastral categories: A1, A2, A3, A4, A5, A6, A7, A8, A9 or A11;

10. which have been subject to, upon filing of the relevant request, the intermediation of branches of Banca Monte dei Paschi di Siena S.p.A., branches of Banca Agricola Mantovana S.p.A. (acquired by BMPS on 16 September 2008), branches of Banca Antonveneta S.p.A (acquired by BMPS on 22 December 2008), branches of Banca Toscana S.p.A. (acquired by BMPS on 24 March 2009) and branches of Banca Personale S.p.A. (acquired by BMPS on 16 April 2010);

11. which have been granted to one or more individuals (*persone fisiche o cointestatari*) (with the exclusion of enterprises owned by a single individual (*ditte individuali*) or *società di fatto*);

12. not disbursed through third party funds, i.e. loans disbursed, also in part, through funds of the European Investment Bank (B.E.I.) or of the Social Development Fund of the Council of Europe or of specific national public entities (*Enti pubblici nazionali*, i.e. *Cassa Depositi e Prestiti – Finanziarie Regionali*);

13. which have not been granted to Debtors who have taken part or have applied to take part to "*Combatti la crisi*", or any other similar initiatives promoted by BMPS, or the Convention between ABI and the main consumers' associations ("*Piano Famiglie*") of 18 December 2009;

14. which have not been renegotiated pursuant to Legislative Decree number 93 of 2008, converted into Law number 126 of 24 July 2008;

15. in respect of which the ratio between the value of the registration of the relevant Mortgage and the disbursed amount, at the date of the disbursement, was comprised between 1.5 (included) and 5 (included);

16. which have not been granted to Debtors involved in the seismic events falling under the applicability of Law Decree number 39 of 28 April 2009, converted into Law number 74 of 24 June 2009;

17. with a floating rate whose spread, together with the relevant predetermined contractual index (*indice*), is lower than 3 %;

18. with a fixed rate equal or lower than 8%;

19. in respect of which the relevant mortgage value is higher than €10.

Specific Criteria for the transfer of the Receivables included in the Sixth Portfolio

The Receivables included in the Sixth Portfolio transferred to the Guarantor, on 21 September 2015, under the Transfer Agreement met, in addition to the Common Criteria, the following Specific Criteria (to be deemed cumulative unless otherwise provided), as at the relevant Valuation Date (or at such other date specified below):

Receivables arising from Mortgage Loans:

1. in respect of which the disbursed amount at the date of the disbursement is equal or greater than 1 per cent of the value of the Real Estate Asset as at the relevant appraisal date (*data di perizia*);

2. which have been granted to natural persons (*persone fisiche*) resident in Italy who, in accordance with the classification criteria adopted by the Bank of Italy pursuant to Circular number 140 of 11 February 1991, as amended on 7 August 1998, fell into the category 600 ("*famiglie consumatrici*"), 614 ("*artigiani*") and 615 ("*altre famiglie produttrici*") of the SAE Code (Business Activity Code) and whose administrative profile falls under the "ordinary risk" (i.e. *rischio ordinario*) category (loans in relation to which there are no unpaid instalments nor there is any pending litigation);

3. in respect of which the disbursed amount at the date of the disbursement is equal or lower than 100 per cent of the value of the Real Estate Asset as at the relevant appraisal date (*data di perizia*);

4. in respect of which the disbursement date, without any consideration for the value date (*data valuta*), falls no later than 30 June 2015 (included);

5. in respect of which all the Instalments falling due before the Valuation Date have been paid;

6. in respect of which no partial prepayments of undue Instalments were made;

7. in respect of which the Outstanding Principal is equal or greater than €5,000.00

8. in respect of which the Outstanding Principal is lower than €2.000.000,00 (included);

9. in respect of which the relevant Real Estate Asset falls within the following Italian cadastral categories: A1, A2, A3, A4, A5, A6, A7, A8, A9 or A11;

10. which have been subject to, upon filing of the relevant request, the intermediation of branches of Banca Monte dei Paschi di Siena S.p.A., branches of Banca Agricola Mantovana S.p.A. (acquired by BMPS on 16 September 2008), branches of Banca Antonveneta S.p.A (acquired by BMPS on 22 December 2008), branches of Banca Toscana S.p.A. (acquired by BMPS on 24 March 2009) and branches of Banca Personale S.p.A. (acquired by BMPS on 16 April 2010);

11. which have been granted to one or more individuals (*persone fisiche o cointestatari*) (with the exclusion of enterprises owned by a single individual (*ditte individuali*) or *società di fatto*);

12. not disbursed through third party funds, i.e. loans disbursed, also in part, through funds of the European Investment Bank (B.E.I.) or of the Social Development Fund of the Council of Europe or of specific national public entities (*Enti pubblici nazionali*, i.e. *Cassa Depositi e Prestiti – Finanziarie Regionali*);

13. which have not been granted to Debtors who have taken part or have applied to take part to "*Combatti la crisi*", or any other similar initiatives promoted by BMPS, or the Convention between ABI and the main consumers' associations ("*Piano Famiglie*") of 18 December 2009 as prorogated on 26 January 2011 and as amended on 19 July 2011;

14. which have not been renegotiated pursuant to Legislative Decree number 93 of 2008, converted into Law number 126 of 24 July 2008 and pursuant to the Convention between the MEF and ABI on 19 June 2008;

15. in respect of which the ratio between the value of the registration of the relevant Mortgage and the disbursed amount, at the date of the disbursement, was comprised between 1.5 (included) and 5 (included);

16. which have not been granted to Debtors involved in the seismic events falling under the applicability of Law Decree number 39 of 28 April 2009, converted into Law number 74 of 24 June 2009;

17. with a floating rate whose spread, together with the relevant predetermined contractual index (*indice*), is lower than 5 %;

18. with a fixed rate equal or lower than 8%;

19. in respect of which the relevant mortgage value is higher than €10.

Further Criteria

In accordance with the provisions of the Master Assets Purchase Agreement, the Seller and the Guarantor shall, to the extent necessary, identify further criteria in order to supplement the Common Criteria and the Specific Criteria (the "**Further Criteria**").

Under the Warranty and Indemnity Agreement, the Principal Seller, if any) has represented, *inter alia*, that, as of the date of execution of the Warranty and Indemnity Agreement, the Mortgage Loans comprised in the Portfolios (i) are valid, in existence and in compliance with the Criteria, and (ii) relate to Mortgage Loan Agreements which have been entered into, executed and performed by the Seller in compliance with all applicable laws, rules and regulations (including the Usury Law).

THE ASSET MONITOR

The Bank of Italy Regulations require that the Issuer appoints a qualified entity to be the asset monitor to carry out controls on the regularity of the transaction and the integrity of the Guarantee.

Pursuant to the Bank of Italy Regulations, the asset monitor must be an independent auditor, enrolled with the special register of accounting firms held by the MEF and shall be independent from the Issuer and any other party to the Programme and from the accounting firm who carries out the audit of the Issuer.

Based upon controls carried out, the asset monitor shall prepare annual reports, to be addressed also to the Statutory Auditors of the Issuer.

ASSET MONITOR ENGAGEMENT LETTER

Pursuant to an engagement letter (the "**Asset Monitor Engagement Letter**") entered into on 18 June 2010, the Issuer has appointed Deloitte & Touche S.p.A., a company incorporated under the laws of Italy, enrolled with the Companies' Register of Milan under number 03049560166 and with the special register of accounting firms held by the MEF, having its registered office at via Tortona 25, 20144 Milan, Italy, as initial asset monitor (the "**Asset Monitor**") in order to perform, subject to receipt of the relevant information from the Issuer, specific agreed upon procedures concerning, *inter alia*, the control of (i) the fulfilment of the eligibility criteria set out under Decree No. 310 with respect to the Eligible Assets and Top-Up Assets included in the Cover Pool; (ii) the calculation performed by the Issuer in respect of the Mandatory Tests; (iii) the compliance with the limits to the transfer of the Eligible Assets set out under Decree No. 310; and (iv) the effectiveness and adequacy of the risk protection provided by any Swap Agreement entered into in the context of the Programme.

Under the Asset Monitor Engagement Letter, the Asset Monitor shall, on an annual basis, deliver to the Issuer an annual report detailing the procedures performed under the Asset Monitor Engagement Letter.

The Asset Monitor Engagement Letter provides for certain matters such as the payment of fees and expenses to the Asset Monitor, the resignation of the Asset Monitor and the replacement by the Guarantor of the Asset Monitor.

Governing law

The Asset Monitor Agreement is governed by Italian law.

ASSET MONITOR AGREEMENT

The Asset Monitor, will, pursuant to an asset monitor agreement entered into on 18 June 2010 (the "**Asset Monitor Agreement**") between the Issuer, the Guarantor, the Asset Monitor and the Representative of the Bondholders and subject to due receipt of the information to be provided by the Pre-Issuer Default Test Calculation Agent or the Post-Issuer Default Test Calculation Agent to the Asset Monitor, respectively, prior to the delivery of a Guarantee Enforcement Notice and after the delivery of a Guarantee Enforcement Notice, verify the arithmetic accuracy of the calculations performed by the Pre-Issuer Default Test Calculation Agent with respect to the Mandatory Tests and the Asset Coverage Test and

the Post-Issuer Default Test Calculation Agent with respect to the Amortisation Test pursuant to the Cover Pool Management Agreement with respect to the Amortisation Test.

In addition, on or prior to each Asset Monitor Report Date, the Asset Monitor shall deliver to the Guarantor, the Post-Issuer Default Test Calculation Agent, the Representative of the Bondholders and the Issuer a report in the form set out in the Asset Monitor Agreement.

The Asset Monitor Agreement provides for certain matters such as the payment of fees and expenses to the Asset Monitor, the limited recourse nature of the payment obligation of the Guarantor vis-à-vis the Asset Monitor, the resignation of the Asset Monitor and the replacement by the Guarantor of the Asset Monitor.

Governing law

The Asset Monitor Agreement and any non-contractual obligations arising out of or in connection with it are governed by Italian law.

DESCRIPTION OF CERTAIN RELEVANT LEGISLATION IN ITALY

Introduction

The legal and regulatory framework with respect to the issue of covered bonds in Italy comprises the following:

- Article 7-*bis* and article 7-*ter* of the Law No. 130 of 30 April 1999 (as amended, the "**Italian Law 130**");
- the regulations issued by the Italian Ministry for the Economy and Finance on 14 December 2006 under Decree No. 310 (the "**Decree No. 310**");
- the C.I.C.R. Decree dated 12 April 2007; and
- Part III, Chapter 3 of the "Disposizioni di Vigilanza per le Banche" (Circolare No. 285 of 17 December 2013), as amended and supplemented from time to (the "**Bank of Italy Instructions**").

Law Decree No. 35 of 14 March 2005, converted by Law No. 80 of 14 May 2005, amended the Italian Law 130 by adding two new articles, Articles 7-*bis* and 7-*ter*, which enable banks to issue covered bonds. Articles 7-*bis* and 7-*ter*, however, required both the Italian Ministry of Economy and Finance and the Bank of Italy to issue specific regulations before the relevant structures could be implemented.

Italian Law 130 was further amended by law decree No. 145 of 23 December 2013, called "*Decreto Destinazione Italia*" (the "***Destinazione Italia* Decree**") converted into law No. 9 of 21 February 2014, and by law decree No. 91, called "*Decreto Competitività*" (the "**Law Decree *Competitività***", converted into law No. 116 of 11 August 2014).

Following the issue of the Decree No. 310, the Bank of Italy Instructions were published on 17 May 2007, as subsequently amended on 24 March 2010, completing the relevant legal and regulatory framework and allowing for the implementation on the Italian market of this funding instrument, which had previously only been available under special legislation to specific companies (such as *Cassa Depositi e Prestiti S.p.A.*).

The Bank of Italy published new supervisory regulations on banks in December 2013 (Circolare of the Bank of Italy No. 285 of 17 December 2013) which came into force on 1 January 2014, implementing CRD IV and setting out additional local prudential rules concerning matters not harmonised on EU level. Following the publication on 24 June 2014 of the 5th update to Circular of the Bank of Italy No. 285 of 17 December 2013, which added a new Chapter 3 ("*Obbligazioni bancarie garantite*") in Part III contained therein, the provisions set forth under Title V, Chapter 3 of Circolare No. 263 of 27 December 2006 have been abrogated.

The Bank of Italy Instructions introduced provisions, *inter alia*, regulating:

- the capital adequacy requirements that issuing banks must satisfy in order to issue covered bonds and the ability of issuing banks to manage risks;

- limitations on the total value of eligible assets that banks, individually or as part of a group, may transfer as cover pools in the context of covered bond transactions;

- criteria to be adopted in the integration of the assets constituting the cover pools;

- the identification of the cases in which the integration is permitted and its limits; and

- monitoring and surveillance requirements applicable with respect to covered bond transactions and the provision of information relating to the transaction.

On 8 May 2015, the Ministerial Decree No. 53/2015 (the "**Decree 53/2015**") issued by the MEF has been published in the Official Gazette of the Republic of Italy. The Decree 53/2015 came into force on 23 May 2015, repealing the Ministerial Decree No. 29/2009. Pursuant to Article 7 of the Decree 53/2015, the assignee companies which guarantee covered bonds, belonging to a banking group as defined by Article 60 of the Consolidated Banking Act (such as MPS Covered Bond S.r.l.), will no longer have to be registered in the general register held by the Bank of Italy pursuant to Article 106 of the Consolidated Banking Act.

Basic structure of a covered bond issue

The structure provided under Article 7-*bis* with respect to the issue of covered bonds may be summarised as follows:

- a bank transfers a pool of eligible assets (i.e. the cover pool) to an Article 7-*bis* special purpose vehicle (the "**Guarantor**");

- the bank (or a different bank) grants the Guarantor a subordinated loan in order to fund the payment by the Guarantor of the purchase price due for the cover pool;

- the bank (or a different bank) issues the covered bonds which are supported by a first demand, unconditional and irrevocable guarantee issued by the Guarantor for the exclusive benefit of the holders of the covered bonds and the hedging counterparties involved in the transaction. The Guarantee is backed by the entire cover pool held by the Guarantor.

Article 7-*bis* however also allows for structures which contemplate different entities acting respectively as cover pool provider, subordinated loan provider and covered bonds issuer.

The Guarantor

The Italian legislator chose to implement the new legislation on covered bonds by supplementing the Italian Law 130, thus basing the new structure on a well established platform and applying to covered bonds many provisions with which the market is already familiar in relation to Italian securitisations. Accordingly, as is the case with the special purpose entities which act as issuers in Italian securitisation transactions, the Guarantor is required to be established with an exclusive corporate object that, in the case of covered bonds, must be the purchase of assets eligible for cover pools and the person giving guarantees in the context of covered bond transactions.

The guarantee

The Decree No. 310 provides that the guarantee issued by the Guarantor for the benefit of the bondholders must be irrevocable, first-demand, unconditional and independent from the obligations of the issuer of the covered bonds. Furthermore, upon the occurrence of a default by the issuer in respect of its payment obligations under the covered bonds, the Guarantor must provide for the payment of the amounts due under the covered bonds, in accordance with their original terms and with limited recourse to the amounts available to the Guarantor from the cover pool. The acceleration of the issuer's payment obligations under the covered bonds will not therefore result in a corresponding acceleration of the Guarantor's payment obligations under the guarantee (thereby preserving the maturity profile of the covered bonds).

Upon an insolvency of the issuer, solely the Guarantor will be responsible for the payment obligations of the issuer owed to the Bondholders, in accordance with their original terms and with limited recourse to the amounts available to the Guarantor from the cover pool.

If a resolution pursuant to Article 74 of the Consolidated Banking Act is passed in respect of the Issuer, the Guarantor, in accordance with Decree No. 310, shall be responsible for the payments of the amounts due and payable under the Covered Bonds within the entire period in which the suspension continues at their relevant due date, provided that it shall be entitled to claim any such amounts from the Issuer. For further details see section "*Description of the Transaction Documents - Guarantee*".

Finally, if a moratorium is imposed on the issuer's payments, the Guarantor will fulfil the issuer's payment obligations, with respect to amounts which are due and payable and with limited recourse to the cover pool. The Guarantor will then have recourse against the issuer for any such payments.

Segregation and subordination

Article 7-*bis* provides that the assets comprised in the cover pool and the amounts paid by the debtors with respect to the receivables and/or debt securities included in the cover pool are exclusively designated and segregated by law for the benefit of the holders of the covered bonds and the hedging counterparties involved in the transaction.

In addition, Article 7-*bis* expressly provides that the claim for reimbursement of the loan granted to the Guarantor to fund the purchase of assets in the cover pool is subordinated to the rights of the Bondholders and of the hedging counterparties involved in the transaction.

Exemption from claw-back

Article 7-*bis* provides that the guarantee and the subordinated loan granted to fund the payment by the Guarantor of the purchase price due for the cover pool are exempt from the bankruptcy claw-back provisions set out in Article 67 of the Italian Bankruptcy Law (Royal Decree No. 267 of 16 March 1942).

In addition to the above, any payments made by an assigned debtor to the Guarantor may not be subject to any declaration of ineffectiveness according to Article 65 of the Bankruptcy Law.

The Issuing Bank

The Bank of Italy Instructions provide that covered bonds may only be issued by banks which individually satisfy, or which belong to banking groups which, on a consolidated basis:

- have own funds (*fondi propri*) of at least €250,000,000; and
- have a minimum total capital ratio of 9%.

The Bank of Italy Instructions specify that the requirements above also apply to the bank acting as cover pool provider (in the case of structures in which separate entities act respectively as issuing bank and as cover pool provider).

The Bank of Italy Instructions furthermore provide that the total amount of eligible assets that a bank may transfer to cover pools in the context of covered bond transactions is subject to limitations linked to the tier 1 ratio and common equity tier 1 ratio of the individual bank (or of the relevant banking group, if applicable) as follows:

	Ratios	**Transfer Limitations**
"A" range	- Tier 1 ratio ≥ 9%; and - Common Equity Tier 1 ratio ≥ 8%	No limitation
"B" range	- Tier 1 ratio ≥ 8%; and - Common Equity Tier 1 ratio ≥ 7%	Up to 60% of eligible assets may be transferred
"C" range	- Tier 1 ratio ≥ 7%; and - Common Equity Tier 1 ratio ≥ 6%	Up to 25% of eligible assets may be transferred

The Bank of Italy Instructions clarify that the ratios provided with respect to each range above must be satisfied jointly: if a bank does not satisfy both ratios with respect to a specific range, the range applicable to it will be the following, more restrictive, range. Accordingly, if a bank (or the relevant banking group) satisfies the "**b**" range total capital ratio but falls within the "**c**" range with respect to its tier 1 ratio, the relevant bank will be subject to the transfer limitations applicable to the "**c**" range.

The Cover Pool

For a description of the assets which are considered eligible for inclusion in a cover pool under Article 7-*bis*, see "Description of the Cover Pool - Eligibility Criteria".

Ratio between cover pool value and covered bond outstanding amount

The Decree No. 310 provides that the cover pool provider and the issuer must continually ensure that, throughout the transaction:

- the aggregate nominal value of the cover pool is at least equal to the nominal amount of the relevant outstanding covered bonds;
- the net present value of the cover pool (net of all the transaction costs borne by the Guarantor, including in relation to hedging arrangements) is at least equal to the net present value of the relevant outstanding covered bonds;

- the interest and other revenues deriving from the cover pool (net of all the transaction costs borne by the Guarantor) are sufficient to cover interest and costs due by the issuer with respect to the relevant outstanding covered bonds, taking into account any hedging agreements entered into in connection with the transaction.

In respect of the above, under the Bank of Italy Instructions, strict monitoring procedures are imposed on banks for the monitoring of the transaction and of the adequacy of the guarantee on the cover pool. Such activities must be carried out both by the relevant bank and by an asset monitor, to be appointed by the bank, which is an independent accounting firm. The asset monitor must prepare and deliver to the issuing bank's s board of auditors, on an annual basis, a report detailing its monitoring activity and the relevant findings.

The Bank of Italy Instructions require banks to carry out the monitoring activities described above at least every 6 months with respect to each covered bond transaction. Furthermore, the internal auditors of banks must comprehensively review every 12 months the monitoring activity carried out with respect to each covered bond transaction, basing such review, *inter alia*, on the evaluations supplied by the asset monitor.

In addition to the above, pursuant to the Bank of Italy Instructions provide that the management body of the issuing bank must ensure that the internal structures delegated to the risk management verify at least every six months and for each transaction completeness, accuracy and timeliness of information available to investors pursuant to art. 129, paragraph 7, of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of the European Union of 26 June 2013 (CRR).

In order to ensure that the monitoring activities above may be appropriately implemented, the Bank of Italy Instructions require that the entities participating in covered bond transactions be bound by appropriate contractual undertakings to communicate to the issuing bank, the cover pool provider and the entity acting as servicer in relation to the cover pool assets all the necessary information with respect to the cover pool assets and their performance.

Substitution of assets

The Decree No. 310 and the Bank of Italy Instructions provide that, following the initial transfer to the cover pool, the eligible assets comprised in the cover pool may only be substituted or supplemented in order to ensure that the requirements described under "*Ratio between cover pool value and covered bond outstanding amount*", or the higher over-collateralization provided for under the relevant covered bond transaction documents, are satisfied at all times during the transaction.

- The eligible assets comprised in the cover pool may only be substituted or supplemented by means of:

- the transfer of further assets (eligible to be included in the cover pool in accordance with the criteria described above);

- the establishment of deposits held with banks ("**Qualified Banks**") which have their registered office in a member state of the European Economic Area or in Switzerland or in a state for which a 0% risk weight is applicable in accordance with the prudential regulations' standardised approach; and

- the transfer of debt securities, having a residual life of less than one year, issued by the Qualified Banks.

The Bank of Italy has clarified that the eligible assets included in the cover pool may be substituted with other eligible assets originated by the Seller, provided that such substitution is expressly provided for and regulated under the relevant programme documentation and appropriate disclosure is given to the investors in the prospectus.

The Decree No. 310 and the Bank of Italy Instructions, however, provide that the assets described in the last two paragraphs above, (together with the liquidity deriving from the management of the cash-flows of the cover pool), cannot exceed 15% of the aggregate nominal value of the cover pool. This 15% limitation must be satisfied throughout the transaction and, accordingly, the substitution of cover pool assets may also be carried out in order to ensure that the composition of the assets comprised in the cover pool continues to comply with the relevant threshold. However the Bank of Italy has clarified that such 15% limitation may be exceeded upon occurrence of an Insolvency Event in respect of the Issuer, whereby supplementing the cover pool is no longer possible and the accumulation of liquidity over the 15% limit may be conducive to the benefit of the Bondholders.

The Bank of Italy Instructions clarify that the limitations to the overall amount of eligible assets that may be transferred to cover pools described under "The Issuing Bank" above do not apply to the subsequent transfer of supplemental assets for the purposes described under this paragraph.

Taxation

Article 7-*bis*, sub-paragraph 7, provides that any tax is due as if the granting of the subordinated loan and the transfer of the cover pool had not taken place and as if the assets constituting the cover pool were registered as on-balance sheet assets of the cover pool provider, **provided that**:

- the purchase price paid for the transfer of the cover pool is equal to the most recent book value of the assets constituting the cover pool; and

- the subordinated loan is granted by the same bank acting as cover pool provider.

It is likely that the provision described above would imply, as a main consequence, that banks issuing covered bonds will be entitled to include the receivables transferred to the cover pool as on-balance receivables for the purpose of tax deductions applicable to reserves for the depreciation on receivables in accordance with Article 106 of Presidential Decree No. 917 of 22 December 1986.

TAXATION

The statements herein regarding taxation are based on the laws in force as at the date of this Prospectus *and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following summary does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to subscribe for, purchase, own or dispose of the Covered Bonds and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules. Prospective purchasers of the Covered Bonds are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of the Covered Bonds.*

*Law Decree No. 66 of 24 April 2014, as converted into law with amendments by Law No. 89 of 23 June 2014 published in the Official Gazette No. 143 of 23 June 2014, ("**Decree No. 66**"), has introduced new tax provisions amending certain aspects of the tax regime of the Notes as summarised below. In particular the Decree No. 66 has increased from 20 per cent. to 26 per cent. the rate of withholding and substitute taxes applicable on interest accrued, and capital gains realised, as from 1 July 2014 on financial instruments (including the Covered Bonds) other than government bonds.*

Republic of Italy

Tax treatment of Covered Bonds issued by the Issuer

The Decree No. 239 sets out the applicable regime regarding the tax treatment of interest, premium and other income from certain securities issued, inter alia, by Italian resident banks (including the difference between the redemption amount and the issue price) (hereinafter collectively referred to as "**Interest**"). The provisions of Decree 239 only apply to Covered Bonds issued by the Issuer which qualify as *obbligazioni* (bonds) or *titoli similari alle obbligazioni* (securities similar to bonds) pursuant to Article 44 of Presidential Decree No. 917 of 22 December 1986, as amended and supplemented ("**Decree No. 917**").

For these purposes, securities similar to bonds (*titoli similari alle obbligazioni*) are securities that incorporate an unconditional obligation of the issuer to pay at maturity an amount not lower than their nominal value, with or without the payment of periodic interest, and do not give any right to directly or indirectly participate in the management of the issuer or to the business in connection to which the securities were issued, nor to control the same.

Italian resident Covered Bondholders

Pursuant to Decree No. 239, where an Italian resident Covered Bondholders, who is the beneficial owner of the Covered Bonds, is:

(a) an individual not engaged in an entrepreneurial activity to which the Covered Bonds are connected (unless he has entrusted the management of his financial assets, including the Covered Bonds, to an authorised intermediary and has opted for the so called "*regime del risparmio gestito"* (the Asset Management Regime) – see under "Capital gains tax" below for an analysis of such regime);

(b) a partnership other than a *società in nome collettivo* or *società in accomandita semplice* or similar partnership) or a *de facto* partnership not carrying out commercial activities or professional associations;

(c) a private or public entity other than companies, trusts not carrying out mainly or exclusively commercial activities, the Italian State and public and territorial entities, with the exclusion of collective investments funds; or

(d) an investor exempt from Italian corporate income taxation,

Interest payments relating to the Covered Bonds, accrued during the relevant holding period, are subject to a withholding tax, referred to as "*imposta sostitutiva*", levied at the rate of 26 per cent, either when Interest is paid or when payment thereof is obtained by the holder on a sale of the Covered Bonds. In the event that the Covered Bondholders described under (a) and (c) above are engaged in an entrepreneurial activity to which the Covered Bonds are connected, the *imposta sostitutiva* applies as a provisional tax. Interest will be included in the relevant beneficial owner's Italian income tax return and will be subject to Italian ordinary income taxation and the *imposta sostitutiva* may be recovered as a deduction from Italian income tax due.

Where an Italian resident Covered Bondholder is a company or similar commercial entity, or a permanent establishment in Italy of a foreign company to which the Covered Bonds are effectively connected, and the Covered Bonds are deposited with an authorised intermediary, Interest from the Covered Bonds will not be subject to *imposta sostitutiva*. They must, however, be included in the relevant Covered Bondholder's income tax return and are therefore subject to general Italian corporate taxation (and, in certain circumstances, depending on the "status" of the Covered Bondholder, also to IRAP (the regional tax on productive activities). Interest on the Covered Bonds that are not deposited with an authorised intermediary, received by the above persons is subject to a 26 per cent. *imposta sostitutiva* levied as provisional tax.

Where a Covered Bondholder is an Italian resident real estate investment fund or a SICAF, to which the provisions of Law Decree No. 351 of 25th September, 2001, as subsequently amended, apply, Interest accrued on the Covered Bonds will be subject neither to *imposta sostitutiva* nor to any other income tax in the hands of the real estate investment fund or the SICAF. The income of the real estate fund or the SICAF is subject to tax, in the hands of the unitholder, depending on the status and percentage of participation, or, when earned by the fund, through distribution and/or upon redemption or disposal of the units.

If the investor is resident in Italy and is an open-ended or closed-ended investment fund (the "**Fund**"), a SICAV or a SICAF and the relevant Covered Bonds are held by an authorised intermediary, Interest accrued during the holding period on the Covered Bonds will not be subject to *imposta sostitutiva*. They must, however, be included in the management results of the Fund, the SICAV or the SICAF, accrued at the end of each tax period. The Fund, the SICAV or the SICAF will not be subject to taxation on such result, but withholding tax of 26 per cent. will apply, in certain circumstances, to distributions made in favour of unitholders or shareholders.

Where an Italian resident Covered Bondholders is a pension fund (subject to the regime provided for by article 17 of the Italian Legislative Decree No. 252 of 5 December 2005) and the Covered Bonds are deposited with an authorised intermediary, Interest relating to the

Covered Bonds and accrued during the holding period will not be subject to *imposta sostitutiva*, but must be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to a 20 per cent. substitute tax (the "**Pension Fund Tax**") on the increase in value of the managed assets accrued at the end of each tax year (which increase would include Interest accrued on the Covered Bonds). The 20 per cent. Pension Fund Tax would apply on a retroactive basis also with reference to the portfolio's results accrued at the end of fiscal year 2014, but on a reduced taxable basis.

As from 1 January 2015, Italian pension funds benefit from a tax credit equal to 9 per cent. of the result of the relevant portfolio accrued at the end of the tax period, provided that the pension fund invests in certain medium long term financial assets to be identified with a Ministerial Decree of 19 June 2015 published in the Official Gazette – general series No. 175, on 30 July 2015.

Pursuant to Decree 239, *imposta sostitutiva* is applied by banks, *società di intermediazione mobiliare* (so-called "SIMs"), fiduciary companies, SGRs, stockbrokers and other entities identified by a decree of the Ministry of Finance (each an "**Intermediary**").

An Intermediary must (a) be resident in Italy or be a permanent establishment in Italy of a non-Italian resident financial intermediary, and (b) intervene, in any way, in the collection of interest or in the transfer of the Covered Bonds. For the purpose of the application of the *imposta sostitutiva*, a transfer of Covered Bonds includes any assignment or other act, either with or without consideration, which results in a change of the ownership of the relevant Covered Bonds or in a change of the Intermediary with which the Covered Bonds are deposited.

Where the Covered Bonds are not deposited with an Intermediary, the *imposta sostitutiva* is applied and withheld by any Italian financial intermediary paying interest to a Covered Bondholders or, absent that, by the Issuer.

Non-Italian resident Covered Bondholders

Where the Covered Bondholder is a non-Italian resident beneficial owner of the Covered Bonds with no permanent establishment in Italy to which the Covered Bonds are effectively connected, payment of Interest in respect of the Covered Bonds will not be subject to *imposta sostitutiva* provided that the non-Italian resident beneficial owner is:

(a) resident, for tax purposes in a State or territory included in the list of States or territories allowing an adequate exchange of information with Italy and listed in the Italian Ministerial Decree dated 4 September, 1996 as amended and supplemented by Italian Ministerial Decree dated 9 August, 2016 (the "**White List**"). According to Article 11, par. 4, let. c), of Decree 239, the White List will be updated every six months period; or

(b) an international body or entity set up in accordance with international agreements which have entered into force in Italy; or

(c) a Central Bank or an entity which manages, *inter alia*, the official reserves of a foreign State; or

(d) an "institutional investor", whether or not subject to tax, which is established in a country included in the White List.

In order to ensure payment of Interest in respect of the Covered Bonds without the application of 26 per cent. *imposta sostitutiva*, non-Italian resident Covered Bondholders indicated above must be the beneficial owners of the payments of Interest and must:

(a) deposit, directly or indirectly, the Covered Bonds with a resident bank or SIM or a permanent establishment in Italy of a non-Italian resident bank or SIM or with a non-Italian resident entity or company participating in a centralised securities management system which is in contact, via computer, with the Ministry of Economy and Finance; and

(b) file with the relevant depository, prior to or concurrently with the deposit of the Covered Bonds, a self-statement, which remains valid until withdrawn or revoked, in which the Covered Bondholder declares to be eligible to benefit from the applicable exemption from *imposta sostitutiva*. This statement, which is not requested for international bodies or entities set up in accordance with international agreements which have entered into force in Italy nor in the case of foreign Central Banks or entities which manage, *inter alia*, the official reserves of a foreign State, must comply with the requirements set forth by Ministerial Decree of 12 December 2001.

Failure of a non-resident Covered Bondholder to comply in due time with the procedures set forth in Decree No. 239 and in the relevant implementation rules will result in the application of *imposta sostitutiva* on Interest payments to a Covered Bondholder.

Covered Bondholders who are subject to the substitute tax might, nevertheless, be eligible for a total or partial relief under an applicable tax treaty between the Republic of Italy and the country of residence of the relevant Covered Bondholder.

Payments made by an Italian resident guarantor

There is no authority directly on point regarding the Italian tax regime of payments made by an Italian resident guarantor under the Guarantee. Accordingly, there can be no assurance that the Italian revenue authorities will not assert an alternative treatment of such payments than that set forth herein or that the Italian court would not sustain such an alternative treatment.

With respect to payments on the Covered Bonds made to certain Italian resident Bondholders by an Italian resident guarantor, in accordance with one interpretation of Italian tax law, any payment of liabilities equal to interest and other proceeds from the Covered Bonds may be treated, in certain circumstances, as a payment by the relevant Issuer and will thus be subject to the tax regime described in the previous paragraphs of this section.

In accordance with another interpretation, any such payment made by the Italian resident guarantor may be subject to an advance withholding tax at a rate of 26 per cent. pursuant to Presidential Decree No. 600 of 29 September, 1973, as subsequently amended. In case of payments to non-Italian resident Bondholders, a final withholding tax may be applied at 26 per cent.. Double taxation treaties entered into by the Republic of Italy may apply allowing for a lower (or, in certain cases, nil) rate of withholding tax.

Atypical securities

Interest payments relating to Covered Bonds that are not deemed to fall within the category of bonds (*obbligazioni*) or securities similar to bonds (*titoli similari alle obbligazioni*) may be subject to a withholding tax, levied at the rate of 26 per cent. For this purpose, securities similar to bonds are securities that incorporate an unconditional obligation to pay, at maturity, an amount not lower than their nominal value.

In the case of Covered Bonds issued by an Italian resident issuer, where the Covered Bondholder is:

(a) an Italian individual engaged in an entrepreneurial activity to which the Covered Bonds are connected;

(b) an Italian company or a similar Italian commercial entity;

(c) a permanent establishment in Italy of a foreign entity;

(d) an Italian commercial partnership; or

(e) an Italian commercial private or public institution,

such withholding tax is a provisional withholding tax.

In all other cases, including when the Covered Bondholder is a non-Italian resident, the withholding tax is a final withholding tax. For non-Italian resident Covered Bondholders, the 26 per cent. withholding tax rate may be reduced by any applicable tax treaty.

Capital gains tax

Any gain obtained from the sale or redemption of the Covered Bonds would be treated as part of the taxable income (and, in certain circumstances, depending on the "status" of the Covered Bondholder, also as part of the net value of the production for IRAP purposes) if realised by an Italian company, a similar commercial entity (including the Italian permanent establishment of foreign entities to which the Covered Bonds are connected) or Italian resident individuals engaged in an entrepreneurial activity to which the Covered Bonds are connected.

Where a Covered Bondholder is (i) an Italian resident individual not engaged in an entrepreneurial activity to which the Covered Bonds are connected, (ii) an Italian resident partnership not carrying out commercial activities, or (iii) an Italian private or public institution not carrying out mainly or exclusively commercial activities, any capital gain realised by such Covered Bondholder from the sale or redemption of the Covered Bonds would be subject to an *imposta sostitutiva*, levied at the rate of 26 per cent.

In respect of the application of *imposta sostitutiva* on capital gains, taxpayers may opt for one of the three regimes described below:

(a) Under the "tax declaration regime" (*regime della dichiarazione*), which is the default regime for Italian resident individuals not engaged in an entrepreneurial activity to

which the Covered Bonds are connected, the *imposta sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all capital gains (net of any incurred capital loss) realised by the Italian resident individual Covered Bondholders holding the Covered Bonds during any given fiscal year. In this instance, "capital gains" means any capital gain not connected with an entrepreneurial activity pursuant to all sales or redemptions of the Covered Bonds carried out during any given tax year. Italian resident individuals holding the Covered Bonds not in connection with an entrepreneurial activity must indicate the overall capital gains realised in any tax year, net of any relevant incurred capital loss, in the annual tax return and pay the *imposta sostitutiva* on such gains together with any balance income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains realised in any of the four succeeding tax years. Pursuant to Decree No. 66, capital losses may be carried forward to be offset against capital gains of the same nature realised after 30 June 2014 for an overall amount of: (i) 48.08 per cent. of the relevant capital losses realised before 1 January 2012; (ii) 76.92 per cent. of the capital losses realised from 1 January 2012 to 30 June 2014.

(b) As an alternative to the tax declaration regime, Covered Bondholders who are (i) Italian resident individuals holding the Covered Bonds not in connection with an entrepreneurial activity, (ii) Italian resident partnerships not carrying out commercial activities, and (iii) Italian private or public institutions not carrying out mainly or exclusively commercial activities, may elect for the administrative savings regime ("*regime del risparmio amministrato*") to pay the *imposta sostitutiva* separately on capital gains realised on each sale or redemption of the Covered Bonds. Such separate taxation of capital gains is allowed subject to:

(i) the Covered Bonds being deposited with Italian banks, SIMs or certain authorised financial intermediaries; and

(ii) an express election for the *risparmio amministrato* regime being timely made in writing by the relevant Covered Bondholder.

The depository must account for the *imposta sostitutiva* in respect of capital gains realised on each sale or redemption of the Covered Bonds (as well as in respect of capital gains realised upon the revocation of its mandate), net of any incurred capital loss. The depository must also pay the relevant amount to the Italian tax authorities on behalf of the taxpayer, deducting a corresponding amount from the proceeds to be credited to the Covered Bondholders or using funds provided by the Covered Bondholders for this purpose. Under the administrative savings regime, where a sale or redemption of the Covered Bonds results in a capital loss, the intermediary is entitled to deduct such loss from gains of the same kind subsequently realised on assets held by the Covered Bondholder within the same relationship of deposit in the same tax year or in the following tax years up to the fourth. Pursuant to Decree No. 66, capital losses may be carried forward to be offset against capital gains of the same nature realised after 30 June 2014 for an overall amount of: (i) 48.08 per cent. of the relevant capital losses realised before 1 January 2012; (ii) 76.92 per cent. of the capital losses realised from 1 January 2012 to 30 June 2014. Under the administrative savings regime, the realised capital gain is not required to be included in the annual income tax return of the Covered Bondholder and the Covered Bondholder remains anonymous.

(c) Under the "asset management" regime (the "*risparmio gestito*" regime), any capital gains realised by Italian resident individuals holding the Covered Bonds not in connection with an entrepreneurial activity who have entrusted the management of their financial assets (including the Covered Bonds) to an authorised intermediary, will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to a 26 per cent. substitute tax, to be paid by the managing authorised intermediary. Any depreciation of the managed assets accrued at the yearend may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. Pursuant to Decree No. 66, depreciations of the managed assets may be carried forward to be offset against any subsequent increase in value accrued as from 1 July 2014 for an overall amount of: (i) 48.08 per cent. of the relevant depreciations in value registered before 1 January 2012; (ii) 76.92 per cent. of the depreciations in value registered from 1 January 2012 to 30 June 2014. Also under the asset management regime the realised capital gain is not required to be included in the annual income tax return of the Covered Bondholder and the Covered Bondholder remains anonymous.

Where a Covered Bondholder is an Italian resident real estate investment fund or a SICAF, to which the provisions of Law Decree No. 351 of 25th September, 2001, as subsequently amended, apply, capital gains realised will be subject neither to *imposta sostitutiva* nor to any other income tax in the hands of the real estate investment fund or the SICAF. The income of the real estate fund or the SICAF is subject to tax, in the hands of the unitholder, depending on the status and percentage of participation, or, when earned by the fund, through distribution and/or upon redemption or disposal of the units.

Any capital gains realised by a Covered Bondholder who is an Italian Fund, a SICAV or a SICAF will be included in the result of the relevant portfolio accrued at the end of the tax period. The Fund, SICAV or SICAF will not be subject to taxation on such increase, but a 26 per cent. withholding tax will apply in certain circumstances, to distributions by the fund, SICAV or SICAF to unitholders or shareholders.

Where an Italian resident Covered Bondholder is a pension fund (subject to the regime provided for by article 17 of the Legislative Decree No. 252 of 5 December 2005) and the Covered Bonds are deposited with an Italian resident intermediary, any capital gains realised upon sale, transfer or redemption of the Covered Bonds and accrued during the holding period will not be subject to *imposta sostitutiva*, but must be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to the Pension Fund Tax on the increase in value of the managed assets accrued at the end of each tax year (which increase would include capital gains accrued on the Covered Bonds). The 20 per cent. Pension Fund Tax would apply on a retroactive basis also with reference to the portfolio's results accrued at the end of fiscal year 2014, but on a reduced taxable basis.

As from 1 January 2015, Italian pension funds benefit from a tax credit equal to 9 per cent. of the result of the relevant portfolio accrued at the end of the tax period, provided that the pension fund invests in certain medium long term financial assets to be identified with a Ministerial Decree of 19 June 2015 published in the Official Gazette – general series No. 175, on 30 July 2015.

Capital gains realised by non-Italian resident Covered Bondholders without a permanent establishment in Italy to which the Covered Bonds are effectively connected through the sale

or redemption of Covered Bonds issued by an Italian resident issuer and traded on regulated markets are not subject to the *imposta sostitutiva*.

Capital gains realised by non-Italian resident Covered Bondholders without a permanent establishment in Italy to which the Covered Bonds are effectively connected through the sale or redemption of Covered Bonds issued by an Italian resident issuer not traded on regulated markets are not subject to the *imposta sostitutiva*, provided that the beneficial owner of the Covered Bonds is:

(a) resident in a State or territory included in the White List as defined above; and

(b) all the requirements and procedures set forth in Decree No. 239 and in the relevant implementation rules, as subsequently amended, in order to benefit from the exemption from *imposta sostitutiva* are met or complied with in due time.

The same exemption applies where the non-Italian resident beneficial owners of the Covered Bonds are (i) international entities or organisations established in accordance with international agreements ratified by Italy; (ii) certain foreign institutional investors established in countries which allow for an adequate exchange of information with Italy; or (iii) Central Banks or entities which manage, *inter alia*, the official reserves of a foreign State.

If none of the conditions above is met, capital gains realised by non-Italian resident Covered Bondholders from the sale or redemption of Covered Bonds issued by an Italian resident issuer and not traded on regulated markets are subject to the *imposta sostitutiva* at the current rate of 26 per cent. However, Covered Bondholders may benefit from an applicable tax treaty with the Republic of Italy providing that capital gains realised upon the sale or redemption of the Covered Bonds are to be taxed only in the resident tax country of the recipient.

Inheritance and gift taxes

Transfers of any valuable asset (including shares, Covered Bonds or other securities) as a result of death or donation are taxed as follows:

(a) transfers in favour of spouses and direct descendants or direct ancestors are subject to an inheritance and gift tax applied at a rate of 4 per cent. on the value of the inheritance or gift exceeding Euro 1,000,000;

(b) transfers in favour of relatives to the fourth degree or relatives-in-law to the third degree are subject to an inheritance and gift tax at a rate of 6 per cent. on the entire value of the inheritance or the gift. Transfers in favour of brothers/sisters are subject to the 6 per cent. inheritance and gift tax on the value of the inheritance or gift exceeding Euro 100,000; and

(c) any other transfer is subject to an inheritance and gift tax applied at a rate of 8 per cent. on the entire value of the inheritance or gift.

If the transfer is made in favour of persons with severe disabilities, the tax applies on the value exceeding €1,500,000.

Moreover, an anti-avoidance rule is provided for by Law No. 383 of 18 October 2001 for any gift of assets (such as the Covered Bonds) which, if sold for consideration, would give rise to capital gains to the *imposta sostitutiva* provided for by Decree No. 461. In particular, if the donee sells the Covered Bonds for consideration within 5 years from the receipt thereof as a gift, the donee is required to pay the relevant *imposta sostitutiva* on capital gains as if the gift was not made.

Transfer tax

Contracts relating to the transfer of securities are subject to a Euro 200 registration tax as follows: (i) public deeds and notarised deeds are subject to mandatory registration; (ii) private deeds are subject to registration only in the case of voluntary registration.

Stamp Duty

Pursuant to Article 13 par. 2/*ter* of the tariff Part I attached to Presidential Decree No. 642 of 26 October 1972, as amended by Article 1 par. 581 of Law No. 147 of 27 December 2013, a proportional stamp duty applies on an annual basis to the periodic reporting communications sent by financial intermediaries to their clients in respect of any financial product and instrument, which may be deposited with such financial intermediary in Italy. The stamp duty applies at the rate of 0.20 per cent. and it cannot exceed € 14,000 for taxpayers other than individuals. This stamp duty is determined on the market value or – in the absence of a market value – on the nominal value or the redemption amount of any financial product or financial instruments (including the Covered Bonds). Stamp duty applies both to Italian resident Covered Bondholders and to non-Italian resident Covered Bondholders, to the extent that the Covered Bonds are held with an Italian-based financial intermediary.

The statement is considered to be sent at least once a year, even for instruments for which is not mandatory, nor the deposit, nor the release or the drafting of the statement. In case of reporting periods of less than 12 months, the stamp duty is payable pro-rata.

Based on the wording of the law and the implementing decree issued by the Italian Ministry of Economy on 24 May 2012, the stamp duty applies to any investor who is a client (as defined in the regulations issued by the Bank of Italy on 20 June 2012) of an entity that exercises in any form a banking, financial or insurance activity within the Italian territory.

Wealth tax on financial assets deposited abroad

According to Article 19 of Decree No. 201/2011, as amended by Article 1 par. 582 of Law No. 147 of 27 December 2013, Italian resident individuals holding financial assets – including the Covered Bonds – outside of the Italian territory are required to pay in its own annual tax declaration a wealth tax at the rate of 0.2 per cent. The tax applies on the market value at the end of the relevant year or – in the lack of the market value – on the nominal value or redemption value, or in the case the face or redemption values cannot be determined, on the purchase value of any financial assets held outside of the Italian territory.

EU Savings Directive

Under the EU Savings Directive, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person (within the meaning of the EU Savings Directive) within its jurisdiction to, or collected by such a person (within the meaning of the EU Savings Directive) for, an

individual resident or certain limited types of entity established in that other Member State; however, for a transitional period, Austria is instead required to apply a withholding system in relation to such payments, deducting tax at a rate of 35%. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries (including Switzerland) and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a paying agent (within the meaning of the EU Savings Directive) within its jurisdiction to, or collected by such a paying agent (within the meaning of the EU Savings Directive) for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

On 10 November, 2015 the Council of the European Union adopted the Council Directive 2015/2060/EU (published in the Official Journal of the EU on 18 November 2015) which has repealed the EU Savings Directive with effect from 1 January, 2016, in the case of all Member States other than Austria (subject to on-going requirements to fulfill administrative obligations such as the reporting and exchange of information relating to, and accounting for withholding taxes on, payments made before those dates) and from 1 January, 2017, in the case of Austria. The repeal of the EU Savings Directive is needed in order to prevent overlap between the EU Savings Directive and the new automatic exchange of information regime to be implemented under Council Directive No. 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by Council Directive No. 2014/107/EU). The new regime under Council Directive 2011/16/EU (as amended) is in accordance with the Global Standard released by the Organisation for Economic Cooperation and Development in July 2014. Council Directive 2011/16/EU (as amended) is generally broader in scope than the EU Savings Directive, although it does not impose withholding taxes.

Investors who are in any doubt as to their position should consult their professional advisers.

Implementation in Italy of the Council Directive 2015/2060/EU

Italy had implemented the Savings Directive through Legislative Decree No. 84 of 18 April 2005 ("**Decree No. 84**"). On 10 November 2015, the Council of the European Union approved the Council Directive 2015/2060/EU (published in the Official Journal of the EU on 18 November 2015) which has repealed the EU Savings Tax Directive from 1 January 2016 in the case of Italy.

Council Directive 2015/2060/EU has been implemented in the Italian legislation by Art.28 of Law 7 July 2016, n.122 (published in the Official Journal of Italy on 8 July 2016) with effect from 1 January 2016, with the exception of the obligations provided for by art.1, paragraphs 1 and 3, of Legislative Decree 18 April 2005, n.84, which continue to apply until 30 April 2016.

United States Foreign Account Tax Compliance Act

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended

("**FATCA**") impose a new reporting regime and potentially a 30 per cent. withholding tax with respect to certain US payments by a "foreign financial institution", or "**FFI**" (as defined by FATCA)) to persons that fail to meet certain certification, reporting or related requirements.

This withholding would not apply to payments on the Covered Bonds prior to 1 January 2019 and would only potentially apply to payments in respect of (i) any Covered Bonds characterized as debt (or which are not otherwise characterized as equity and have a fixed term) for U.S. federal income tax purposes that are issued after the "**grandfathering date**", which is the date that is six months after the date on which final U.S. Treasury regulations defining the term foreign passthru payment are filed with the Federal Register, or which are materially modified after the grandfathering date and (ii) any Covered Bonds characterized as equity or which do not have a fixed term for U.S. federal tax purposes, whenever issued. If Covered Bonds are issued on or before the grandfathering date, and additional Covered Bonds of the same series are issued after that date, the additional Covered Bonds may not be treated as grandfathered, which may have negative consequences for the existing Covered Bonds, including a negative impact on market price.

The United States and a number of other jurisdictions have entered into intergovernmental agreements to facilitate the implementation of FATCA (each, an "**IGA**"). Pursuant to FATCA and the "Model 1" and "Model 2" IGAs released by the United States, an FFI in an IGA signatory country could be treated as a "**Reporting FI**" not subject to withholding under FATCA on any payments it receives (or, in the case of certain exempt entities, a "**Nonreporting FI**"). Further, an FFI in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA (or any law implementing an IGA) (any such withholding being "**FATCA Withholding**") from payments it makes. Under each Model IGA, a Reporting FI would still be required to report certain information in respect of its account holders and investors to its home government or to the IRS. The United States and Italy have entered into an IGA (the "**US-Italy IGA**") based largely on the Model 1 IGA.

If the Issuer is treated as a Reporting FI or Nonreporting FI pursuant to the US-Italy IGA it does not anticipate that it will be not obliged to deduct any FATCA Withholding on payments it makes on the Covered Bonds. There can be no assurance, however, that in the future the Issuer will not be required to deduct FATCA Withholding from payments it makes on the Covered Bonds. Accordingly, the Issuer and financial institutions through which payments on the Covered Bonds are made may be required to withhold FATCA Withholding if (i) any FFI through or to which payment on such Covered Bonds is made is not a Participating FFI, a Reporting FI, or otherwise exempt from or in deemed compliance with FATCA or (ii) an investor is a Recalcitrant Holder.

Whilst the Covered Bonds are cleared through Monte Titoli, it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Covered Bonds by the Issuer, any paying agent and Monte Titoli, given that each of the entities in the payment chain between the Issuer and the participants in Monte Titoli is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an IGA will be unlikely to affect the Covered Bonds.

FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on regulations, official guidance and model IGAs, all of which are subject to change or may be implemented in a materially different form. Prospective investors should consult their tax advisers on how these rules may apply to

payments they may receive in connection with the Covered Bonds. FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on regulations, official guidance and model IGAs, all of which are subject to change or may be implemented in a materially different form. Prospective investors should consult their tax advisers on how these rules may apply to payments they may receive in connection with the Covered Bonds.

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Luxembourg Taxation

The following information is of a general nature only and is based on the laws presently in force in Luxembourg, though it is not intended to be, nor should it be construed to be, legal or tax advice. Prospective investors in the Covered Bonds should therefore consult their own professional advisers as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.

Please be aware that the residence concept used under the respective headings below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a tax, duty, levy, impost or other charge or withholding of a similar nature, or to any other concepts, refers to Luxembourg tax law and/or concepts only. Also, please note that a reference to Luxembourg income tax encompasses corporate income tax (*impôt sur le revenu des collectivités*), municipal business tax (*impôt commercial communal*), a solidarity surcharge (*contribution au fonds pour l'emploi*) as well as personal income tax (*impôt sur le revenu*) generally. Investors may further be subject to net wealth tax (*impôt sur la fortune*) as well as other duties, levies or taxes. Corporate income tax, municipal business tax as well as the solidarity surcharge and a temporary budget balancing tax (*impôt d'équilibrage budgétaire temporaire*) invariably apply to most corporate taxpayers resident of Luxembourg for tax purposes. Individual taxpayers are generally subject to personal income tax, the solidarity surcharge and a temporary budget balancing tax (*impôt d'équilibrage budgétaire temporaire*). Under certain circumstances, where an individual taxpayer acts in the course of the management of a professional or business undertaking, municipal business tax may apply as well.

Taxation of the Covered Bondholders

Withholding Tax

(i) **Non-resident Covered Bondholders**

Under Luxembourg general tax laws currently in force, there is no withholding tax on payments of principal, premium or interest made to non-resident Covered Bondholders, nor on accrued but unpaid interest in respect of the Covered Bonds, nor is any Luxembourg withholding tax payable upon redemption or repurchase of the Covered Bonds held by non-resident Covered Bondholders.

(ii) **Resident Covered Bondholders**

Under Luxembourg general tax laws currently in force and subject to the law of 23 December 2005, as amended (the "**Relibi Law**"), there is no withholding tax on payments of principal, premium or interest made to Luxembourg resident Covered Bondholders, nor on accrued but

unpaid interest in respect of Covered Bonds, nor is any Luxembourg withholding tax payable upon redemption or repurchase of Covered Bonds held by Luxembourg resident Covered Bondholders.

Under the Relibi Law payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the benefit of an individual beneficial owner who is resident of Luxembourg will be subject to a withholding tax of 10 per cent.. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Payment under the Covered Bonds coming within the scope of the Relibi Law will be subject to withholding tax of 10 per cent.

In addition, pursuant to the Relibi Law, Luxembourg resident individuals can opt to self-declare and pay a 10% tax on payment of interest or similar incomes made or ascribed by paying agents located in a Member State of the European Union other than Luxembourg or a Member State of the European Economic Area. The 10% tax is final when Luxembourg resident individuals are acting in the context of the management of their private wealth.

On 26 July 2016, the Luxembourg government has submitted to the Luxembourg Parliament the bill of law N° 7020 on the implementation of the 2017 tax reform package providing that the 10 per cent. withholding tax levied on savings income as described above would be increased to 20 per cent.

Income Taxation

(i) **Non-resident Covered Bondholders**

A non-resident Covered Bondholder, not having a permanent establishment or permanent representative in Luxembourg to which/whom such Covered Bonds are attributable, is not subject to Luxembourg income tax on interest accrued or received, redemption premiums or issue discounts, under the Covered Bonds. A gain realised by such non-resident Covered Bondholder on the sale or disposal, in any form whatsoever, of the Covered Bonds is further not subject to Luxembourg income tax.

A non-resident corporate Covered Bondholder or a non-resident individual Covered Bondholder acting in the course of the management of a professional or business undertaking, which/who has a permanent establishment or permanent representative in Luxembourg to which or to whom such Covered Bonds are attributable, is subject to Luxembourg income tax on interest accrued or received, redemption premiums or issue discounts, under the Covered Bonds and on any gains realised upon the sale or disposal, in any form whatsoever, of the Covered Bonds.

(ii) **Resident Covered Bondholders**

Covered Bondholders who are residents of Luxembourg will not be liable for any Luxembourg income tax on repayment of principal.

A resident corporate Covered Bondholder must include any interest accrued or received, any redemption premium or issue discount, as well as any gain realised on the sale or disposal, in

any form whatsoever, of the Covered Bonds, in its taxable income for Luxembourg income tax assessment purposes.

A resident Covered Bondholder that is governed by the law of 11 May 2007 on family estate management companies as amended, or by the law of 17 December 2010 on undertakings for collective investment as amended, or by the law of 13 February 2007 on specialised investment funds, as amended, is neither subject to Luxembourg income tax in respect of interest accrued or received, any redemption premium or issue discount, nor on gains realised on the sale or disposal, in any form whatsoever, of the Covered Bonds.

A resident individual Covered Bondholder, acting in the course of the management of his/her private wealth, is subject to Luxembourg income tax at progressive rates in respect of interest received, redemption premiums or issue discounts, under the Covered Bonds, except if (i) withholding tax has been levied on such payments in accordance with the Relibi Law, or (ii) the individual Covered Bondholder has opted for the application of a 10 per cent. tax in full discharge of income tax in accordance with the Relibi Law, which applies if a payment of interest has been made or ascribed by a paying agent established in a EU Member State (other than Luxembourg), or in a Member State of the European Economic Area (other than a EU Member State). A gain realised by a resident individual Covered Bondholder, acting in the course of the management of his/her private wealth, upon the sale or disposal, in any form whatsoever, of Covered Bonds is not subject to Luxembourg income tax, provided this sale or disposal took place more than six months after the Covered Bonds were acquired. However, any portion of such gain corresponding to accrued but unpaid interest income is subject to Luxembourg income tax, except if tax has been levied on such interest in accordance with the Relibi Law.

A resident individual Covered Bondholder acting in the course of the management of a professional or business undertaking must include this interest in its taxable basis. If applicable, the tax levied in accordance with the Relibi Law will be credited against his/her final tax liability.

Net Wealth Taxation

A corporate Covered Bondholder, whether it is resident of Luxembourg for tax purposes or, if not, it maintains a permanent establishment or a permanent representative in Luxembourg to which whom such Covered Bonds are attributable, is subject to Luxembourg wealth tax on these Covered Bonds, except if the Covered Bondholder is governed by the law of 11 May 2007 on family estate management companies as amended, or by the law of 17 December 2010 on undertakings for collective investment as amended, or by the law of 13 February 2007 on specialised investment funds, as amended, or is a securitisation company governed by the law of 22 March 2004 on securitisation, as amended, or is a capital company governed by the law of 15 June 2004 on venture capital vehicles, as amended, or is a reserved alternative investment funds within the meaning of the law of 23 July 2016.

However, please note that securitisation companies governed by the law of 22 March 2004 on securitisation, as amended, or capital companies governed by the law of 15 June 2004 on venture capital vehicles, as amended, or reserved alternative investment funds governed by the law of 23 July 2016 and which fall under the special tax regime set out under article 48 thereof may, under certain conditions, be subject to minimum net wealth tax.

An individual Covered Bondholder, whether she/he is resident of Luxembourg or not, is not subject to Luxembourg wealth tax on such Covered Bonds.

Other Taxes

In principle, neither the issuance nor the transfer, repurchase or redemption of Covered Bonds will give rise to any Luxembourg registration tax or similar taxes.

However, a fixed or ad valorem registration duty may be due upon the registration of the Covered Bonds in Luxembourg in the case of legal proceedings before Luxembourg courts or in case the Covered Bonds must be produced before an official Luxembourg authority, or in the case of a registration of the Covered Bonds on a voluntary basis.

Where a Covered Bondholder is a resident of Luxembourg for tax purposes at the time of her/his death, the Covered Bonds are included in his/her taxable estate for inheritance tax assessment purposes.

Gift tax may be due on a gift or donation of Covered Bonds if embodied in a Luxembourg deed passed in front of a Luxembourg notary or recorded in Luxembourg.

SUBSCRIPTION AND SALE

Covered Bonds may be sold from time to time by the Issuer to any one or more of the Dealers. The arrangements under which Covered Bonds may from time to time be agreed to be sold by the Issuer to, and purchased by, Dealers are set out in a Programme Agreement dated 18 June 2010 (the "**Programme Agreement**") and made between the Issuer, the Guarantor and the Dealers. Any such agreement will, *inter alia*, make provision for the terms and conditions of the relevant Covered Bonds, the price at which such Covered Bonds will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase. The Programme Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Series or Tranche of Covered Bonds.

United States of America: *Regulation S Category 2; TEFRA D or TEFRA C as specified in the relevant Final Terms or neither if TEFRA is specified as not applicable in the relevant Final Terms.*

The Covered Bonds have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

The Covered Bonds are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code and regulations thereunder.

Each Dealer has agreed that, except as permitted by the Programme Agreement, it will not offer, sell or deliver Covered Bonds, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Covered Bonds comprising the relevant Series or Tranche, as certified to the Principal Paying Agent or the Issuer by such Dealer (or, in the case of a sale of a Series or Tranche of Covered Bonds to or through more than one Dealer, by each of such Dealers as to the Covered Bonds of such Series or Tranche purchased by or through it, in which case the Principal Paying Agent or the Issuer shall notify each such Dealer when all such Dealers have so certified) within the United States or to, or for the account or benefit of, U.S. persons, and such Dealer will have sent to each dealer to which it sells Covered Bonds during the distribution compliance period relating thereto a confirmation or other notice setting forth the restrictions on offers and sales of the Covered Bonds within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering of Covered Bonds comprising any Series or Tranche, any offer or sale of Covered Bonds within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act

Public Offer Selling Restriction Under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Covered Bonds which are the subject of the offering contemplated by the Prospectus as completed by the Final Terms in relation thereto (or are the subject of the offering contemplated by a Drawdown Prospectus, as the case may be) to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Covered Bonds to the public in that Relevant Member State:

(a) *Authorised institutions*: at any time to any legal entity which is a "qualified investor" as defined in the Prospectus Directive;

(b) *Fewer than 150 offers*: at any time to fewer than 150 natural or legal persons (other than "qualified investors" as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer;

(c) *Other exempt offers*: at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Covered Bonds referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Covered Bonds to the public" in relation to any Covered Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Covered Bonds, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "**Prospectus Directive**" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU) and includes any relevant implementing measure in the Relevant Member State.

Selling Restrictions addressing Additional United Kingdom Securities Laws

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(i) *No deposit-taking*: in relation to any Covered Bonds which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Covered Bonds other than to persons:

(A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes

of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses; or

(B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,

where the issue of the Covered Bonds would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

(ii) *Financial Promotion*: it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Covered Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(iii) *General compliance*: it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Covered Bonds in, from or otherwise involving the United Kingdom.

Italy

The offering of the Covered Bonds has not been registered with the Commissione Nazionale per le Società e la Borsa ("**CONSOB**") pursuant to Italian securities legislation and, accordingly, no Covered Bonds may be offered, sold or delivered, nor may copies of the Prospectus or of any other document relating to the Covered Bonds be distributed in the Republic of Italy, except:

(a) to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the "**Consolidated Finance Act**") and Article 34-ter, first paragraph, letter b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time ("**Regulation No. 11971**"); or

(b) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Consolidated Finance Act and Article 34-ter of Regulation No. 11971.

Any offer, sale or delivery of the Covered Bonds or distribution of copies of this Prospectus or any other document relating to the Covered Bonds in the Republic of Italy will be effected in accordance with all Italian securities, tax and exchange control and other applicable laws and regulation.

Any such offer, sale or delivery of the Covered Bonds or distribution of copies of this Prospectus or any other document relating to the Covered Bonds in the Republic of Italy must be:

(a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Consolidated Finance Act, CONSOB Regulation No. 16190 of 29 October 2007 and the Consolidated Banking Act (in each case as amended from time to time);

(b) in compliance with Article 129 of the Consolidated Banking Act, as amended, and the implementing guidelines of the Bank of Italy, as amended from time to time; and

(c) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or any other Italian authority.

Japan

The Covered Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Law No. 25 of 1948, as amended, the "**FIEA**") and, accordingly, each Dealer has represented and agreed that it will not offer or sell any Covered Bonds, directly or indirectly, in Japan or to any Resident of Japan or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any Resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with the FIEA and other relevant laws and regulations of Japan. As used in this paragraph, "**Resident of Japan**" shall mean any resident of Japan including any corporation or other entity organised under the laws of Japan.

General

Each Dealer has represented, warranted and agreed that it has complied and will comply with all applicable laws and regulations in each country or jurisdiction in or from which it purchases, offers, sells or delivers Covered Bonds or possesses, distributes or publishes this Prospectus or any Final Terms or any related offering material, in all cases at its own expense. Other persons into whose hands this Prospectus or any Final Terms comes are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Covered Bonds or possess, distribute or publish this Prospectus or any Final Terms or any related offering material, in all cases at their own expense.

The Programme Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation, after the date hereof, of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the paragraph headed "General" above.

Selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification may be set out in a supplement to this Prospectus.

GENERAL INFORMATION

Approval, Listing and Admission to Trading

This Prospectus has been approved as a base prospectus issued in compliance with the Prospectus Directive by the *Commission de Surveillance du Secteur Financier* ("**CSSF**") in its capacity as competent authority in the Grand Duchy of Luxembourg for the purposes of the Prospectus Directive. Application has been made for Covered Bonds issued under the Programme to be listed on the official list and admitted to trading on the regulated market of the Luxembourg Stock Exchange.

However, Covered Bonds may be issued pursuant to the Programme which will be unlisted or be admitted to listing, trading and/or quotation by such other competent authority, stock exchange or quotation system as the Issuer and the relevant Dealer(s) may agree.

The CSSF may, at the request of the Issuer, send to the competent authority of another Member State of the European Economic Area: (i) a copy of this Prospectus; and (ii) a certificate of approval attesting that this Prospectus has been drawn up in accordance with the Prospectus Directive.

Authorisations

The establishment of the Programme and the issue of Covered Bonds have been duly authorised by a resolution of the board of directors of the Issuer dated 6 May 2010 and the giving of the Guarantee has been duly authorised by a resolution of the board of directors of the Guarantor dated 18 May 2010.

Legal and Arbitration Proceedings

With reference to the Issuer, please refer to the paragraph "*Legal risks"* (set out in the section "*Banca Monte dei Paschi di Siena S.p.A.*" of this Prospectus) from page 255 to page 286, paragraph 9 (*Tax litigation*) on page 286 and paragraph 10 (*Pending Proceedings*) from page 286 to page 292.

With reference to the Guarantor, there are no governmental, legal or arbitration proceedings, (including any such proceedings which are pending or threatened, of which the Guarantor is aware), which may have, or have had during the 12 months prior to the date of this Prospectus, a significant effect on the financial position or profitability of the Guarantor.

Trend Information / No Significant Change

Since 30 June 2016 there has been no significant change in the financial or trading position of the Issuer and of Montepaschi Group and with respect to the material adverse change in the prospects of the Issuer since 31 December 2015 please refer to the paragraph "*Plan for the disposal of doubtful loans, the reduction of the risk profile and the strengthening of the capital base*".

Since 31 December 2015 there has been no material adverse change in the prospects of the Guarantor and since 31 December 2015 there has been no significant change in the financial position of the Guarantor.

Minimum denomination

Where Covered Bonds issued under the Programme are admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive, such Covered Bonds will not have a denomination of less than €100,000 (or, where the Covered Bonds are issued in a currency other than euro, the equivalent amount in such other currency).

Documents Available

So long as Covered Bonds are capable of being issued under the Programme, copies of the following documents will, when published, be available (in English translation, where necessary) free of charge during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) for inspection at the registered office of the Issuer:

(a) the by-laws of the Issuer and the constitutive documents of the Guarantor;

(b) the audited consolidated annual financial statements of the Issuer as at and for the years ended 31 December 2014 and 31 December 2015;

(c) the unaudited half-yearly consolidated financial report of the Issuer as at and for the period ended 30 June 2015 and 30 June 2016;

(d) the financial statements of the Guarantor as at and for the years ended 31 December 2014 and 31 December 2015;

(e) the auditors' reports for the Issuer for the financial year ended 31 December 2014 and for the year ended 31 December 2015;

(f) the auditors' reports for the Guarantor for the financial year ended 31 December 2014 and for the year ended 31 December 2015;

(g) a copy of this Prospectus;

(h) any future offering circular, prospectuses, information memoranda and supplements to this Prospectus including Final Terms and any other documents incorporated herein or therein by reference;

(i) each of the following documents (as amended and restated from time to time, the "**Programme Documents**"), namely:

- Guarantee;
- Subordinated Loan Agreements;
- Master Assets Purchase Agreement;
- Cover Pool Management Agreement;
- Warranty and Indemnity Agreement;
- Master Servicing Agreement;
- Asset Monitor Agreement;

- Quotaholders' Agreement;
- Cash Allocation, Management and Payments Agreement;
- English Account Bank Agreement;
- Covered Bond Swap Agreements;
- Asset Swap Agreements;
- Mandate Agreement;
- Deed of Pledge;
- Deed of Charge
- Intercreditor Agreement;
- Guarantor Corporate Services Agreement;
- Programme Agreement; and
- Master Definitions Agreement.

Auditors

On 29 April 2011 the Issuer has appointed Reconta Ernst & Young S.p.A., with registered office at Via Po 32, 00198, Rome, Italy and and authorized and regulated by the MEF and registered on the special register of auditing firms held by the MEF. Reconta Ernst & Young S.p.A. has audited and rendered unqualified audit reports on the consolidated financial statements of the Issuer for the year ended 31 December 2014 and for the year ended 31 December 2015.

Reconta Ernst & Young S.p.A. has been appointed on 17 June 2013 to perform the audit of the financial statements of the Guarantor for the period between the year ended on 31 December 2014 and the year ended on 31 December 2015.

Material Contracts

Neither the Issuer nor the Guarantor nor any of their respective subsidiaries has entered into any contracts in the last two years outside the ordinary course of business that have been or may be reasonably expected to be material to their ability to meet their obligations to Bondholders.

Clearing of the Covered Bonds

The Covered Bonds issued in bearer and dematerialised form have been accepted for clearance through Monte Titoli, Euroclear and Clearstream. The appropriate common code and the International Securities Identification Number in relation to the Covered Bonds of each Tranche will be specified in the relevant Final Terms. The relevant Conditions and/or Final Terms shall specify (i) any other clearing system for the Covered Bonds issued in bearer and dematerialised form as shall have accepted the relevant Covered Bonds for clearance together with any further appropriate information or (ii) with respect to Covered Bonds issued in any of the other form which may be indicated in the relevant Conditions and/or Final Terms, the indication of the agent or registrar through which payments to the Bondholders will be performed.

Yield

In relation to any Tranche of Fixed Rate Covered Bonds and Zero Coupon Bonds, an indication of the yield in respect of such Covered Bonds will be specified in the applicable Final Terms. The yield is calculated at the Issue Date of the Covered Bonds on the basis of the relevant Issue Price. The yield indicated will be calculated as the yield to maturity as at the Issue Date of the Covered Bonds and will not be an indication of future yield.

Dealers Transacting with the Issuer

MPS Capital Services Banca per l'Impresa S.p.A. belongs to the Monte dei Paschi Group and is subject to control and guidelines of Banca Monte dei Paschi di Siena S.p.A..

Besides, certain of the Dealers and their affiliates, including parent companies, have engaged, and may in the future engage, in investment banking and/or commercial banking transactions (including the provision of loan facilities) and other related transactions with, and may perform services for the Issuer and its affiliates in the ordinary course of business.

In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or Issuer's affiliates. If any of the Dealers or their affiliates has a lending relationship with the Issuer, certain of the Dealers or their affiliates routinely or may hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Covered Bonds issued under the Programme. Any such short positions could adversely affect future trading prices of Covered Bonds issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

GLOSSARY

"**15% Limit**" means the limit of 15% (of the aggregate outstanding principal amount of the Cover Pool) of Top-Up Assets that may be included in the Cover Pool unless otherwise permitted by law or applicable regulation.

"**Accrual Yield**" has the meaning given in the relevant Final Terms.

"**Accrued Interest**" means, as of any Valuation Date and in relation to any Eligible Asset to be assigned as at that date, the portion of the Interest Instalment accrued, but not yet due, as at such date.

"**Additional Criteria**" means the further criteria which can be identified pursuant to clause 2.3.2(c) of the Master Assets Purchase Agreement.

"**Additional Seller**" means any entity being part of the Montepaschi Group that may transfer one or more New Portfolios to the Guarantor following the accession to the Programme pursuant to the Programme Documents.

"**Additional Servicer**" means each Additional Seller which has been appointed as servicer in relation to the Assets transferred to the Guarantor, following the accession to the Programme and to the Master Servicing Agreement, pursuant to the Programme Documents.

"**Additional Subordinated Lender**" means each Additional Seller in its capacity as additional subordinated lender, pursuant to the relevant Subordinated Loan Agreement.

"**Adjustment Purchase Price**" means the purchase price adjusted on the basis of calculations carried out pursuant to clause 7 of the Master Assets Purchase Agreement.

"**Affected Assets**" has the meaning ascribed to the term "*Attivi Interessati*" in the Warranty and Indemnity Agreement.

"**Affected Party**" has the meaning ascribed to that term in the Swap Agreements.

"**Adjusted Aggregate Asset Amount**" means the amount calculated pursuant to the formula set out in clause 3.3 of the Cover Pool Management Agreement.

"**Amortisation Test**" means the Test as indicated in clause 4 of the Cover Pool Management Agreement.

"**Assets**" means, collectively, the Eligible Assets and the Top-Up Assets.

"**Asset Backed Securities**" means, pursuant to article 2, sub-paragraph 1, of Decree No. 310 the asset backed securities for which a risk weight not exceeding 20% is applicable in accordance with the Bank of Italy's prudential regulations for banks - standardised approach - provided that at least 95% of the relevant securitised assets are:

(i) Residential Mortgage Loans;

(ii) Commercial Mortgage Loans;

(iii) Public Entity Receivables or Public Entity Securities.

and, in any case, complying with the requirements of the ECB Guidelines.

"**Asset Coverage Test**" has the meaning as indicated pursuant to clause 3 of the Cover Pool Management Agreement.

"**Asset Monitor**" means Deloitte & Touche S.p.A. in its capacity as asset monitor pursuant to the Asset Monitor Engagement Letter and the Asset Monitor Agreement.

"**Asset Monitor Agreement**" means the agreement entered on 18 June 2010 between, *inter alios*, the Asset Monitor, the Issuer and the Guarantor, as amended from time to time.

"**Asset Monitor Engagement Letter**" means the engagement letter entered into, on 18 June 2010, between the Issuer and the Asset Monitor in order to perform specific agreed upon procedures concerning, *inter alia*, (i) the fulfillment of the eligibility criteria set out under Decree No. 310 with respect to the Eligible Assets and Top-Up Assets included in the Cover Pool; (ii) the compliance with the limits to the transfer of the Eligible Assets set out under Decree No. 310; and (iii) the effectiveness and adequacy of the risk protection provided by any Swap Agreement entered into in the context of the Programme.

"**Asset Monitor Report Date**" means any date on which the Asset Monitor shall deliver a report including the results of the verifications carried out by it under the terms of the Asset Monitor Agreement.

"**Asset Percentage**" means the lower of (i) 83.00 per cent and (ii) such other percentage figure as may be determined by the Issuer on behalf of the Guarantor in accordance with the methodologies published by the Rating Agencies (after procuring the level of overcollateralization in line with the target rating). Such new figure of the Asset Percentage shall be set out in the Payments Report and shall thus form part of the calculation of the Asset Coverage Test. Notwithstanding the above, in the event the Issuer chooses not to apply such other percentage figure (item (ii) above) of the Asset Percentage, this will not result in a breach of the Asset Coverage Test.

"**Asset Swap Agreement**" means any asset swap agreement which may be entered into between an Asset Swap Provider and the Guarantor.

"**Asset Swap Provider**" means any entity acting as swap counterparty under an Asset Swap Agreement.

"**Back-Up Account Bank**" means any of the Italian Back-Up Account Bank and the English Back-Up Account Bank.

"**Back-Up Servicer**" means Securitisation Services S.p.A. or any other company that will be appointed in such capacity by the Guarantor, together with the Representative of the Bondholders, pursuant to clause 10.1 of the Master Servicing Agreement.

"**Back-up Servicer Facilitator**" means Securitisation Services S.p.A. or any other entity acting in such capacity pursuant to the Servicing Agreement.

"**Bank of Italy Regulations**" means the regulations No. 285 issued by the Bank of Italy on 17 December 2013, as supplemented from time to time.

"**Bankruptcy Law**" means Royal Decree No. 267 of 16 March 1942, as subsequently amended and supplemented.

"**Base Interest**" has the meaning given to the term "*Interesse Base*" pursuant to the Subordinated Loan Agreement.

"**BMPS**" means Banca Monte dei Paschi di Siena S.p.A..

"**Bondholders**" means the holders from time to time of the Covered Bonds included in each Series or Tranche of Covered Bonds.

"**Breach of Tests Cure Notice**" means the notice delivered by the Representative of the Bondholders in accordance with the terms of the Cover Pool Management Agreement.

"**Breach of Test Notice**" means the notice delivered by the Representative of the Bondholders in accordance with the terms of the Cover Pool Management Agreement following the infringement of one of the Tests prior to an Issuer Event of Default and/or a Guarantor Event of Default.

"**Business Day**" means any day (other than a Saturday or Sunday) on which banks are generally open for business in Milan, Luxembourg and London and on which the Trans-European Automated Real Time Gross Settlement Express Transfer System (TARGET 2) (or any successor thereto) is open.

"**Business Day Convention**", in relation to any particular date, has the meaning given in the relevant Final Terms and, if so specified in the relevant Final Terms, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

(i) "**Following Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day;

(ii) "**Modified Following Business Day Convention**" or "**Modified Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;

(iii) "**Preceding Business Day Convention**" means that the relevant date shall be brought forward to the first preceding day that is a Business Day;

(iv) "**FRN Convention**", "**Floating Rate Convention**" or "**Eurodollar Convention**" means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Final Terms as the Specified Period after the calendar month in which the preceding such date occurred provided, however, that:

(A) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;

(B) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless

that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and

(C) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and

(v) "**No Adjustment**" means that the relevant date shall not be adjusted in accordance with any Business Day Convention.

"**Calculation Amount**" is the amount used for the calculation of interest amounts and redemption amounts for the relevant covered bonds as specified in the relevant Final Terms.

"**Calculation Period**" means the period from one Guarantor Calculation Date (included) to the next Guarantor Calculation Date (excluded).

"**Call Option**" has the meaning given in the relevant Final Terms.

"**Cash Allocation, Management and Payments Agreement**" means the cash allocation, management and payments agreement entered on 18 June 2010 between, *inter alios*, the Guarantor, the Representative of the Bondholders, the Paying Agent(s), the Italian Account Bank and the English Account Bank, as amended from time to time.

"**Cash Manager**" means BMPS acting in such capacity pursuant to the Cash Allocation, Management and Payments Agreement or any other entity acting in such capacity pursuant to the Cash Allocation, Management and Payments Agreement.

"**Cash Manager Report**" means the report produced by the Cash Manager pursuant to the Cash Allocation, Management and Payments Agreement.

"**Cessation of Business**" means, with respect to the Issuer, the loss of the banking licence.

"**Civil Code**" means the Italian civil code, enacted by Royal Decree No. 262 of 16 March 1942, as subsequently amended and supplemented.

"**Clearstream"** means Clearstream Banking *société anonyme*, Luxembourg with offices at 42 avenue JF Kennedy, L-1855 Luxembourg.

"**Collateral Account(s)**" means any other cash and/or securities account (different from the Guarantor's Accounts) opened by the Guarantor pursuant to clause 7.4 of the Intercreditor Agreement.

"**Collateral Security**" means any security (including any loan mortgage insurance and excluding Mortgages) granted to the Principal Seller (or any Additional Seller(s), if any) by any Debtor in order to guarantee the payment and/or redemption of any amounts due under the relevant Mortgages Loan Agreement.

"**Collection Date**" means (i) prior to the service of a Guarantor Default Notice, the first calendar day of each month; and (ii) following the service of a Guarantor Default Notice, each date determined by the Representative of the Bondholders as such.

"**Collection Period**" means the Monthly Collection Period and/or the Quarterly Collection Period, as applicable.

"**Collections**" means all amounts received or recovered by the Servicer in respect of the Assets included in the Cover Pool.

"**Commercial Mortgage Loan**" means, pursuant to article 2, sub-paragraph 1, of Decree No. 310 a commercial mortgage loan in respect of which the relevant amount outstanding added to the principal amount outstanding of any higher ranking mortgage loans secured by the same property does not exceed 60% and for which the hardening period with respect to the perfection of the relevant mortgage has elapsed.

"**Common Criteria**" means the criteria listed in schedule 1 to the Master Assets Purchase Agreement.

"**CONSOB**" means *Commissione Nazionale per le Società e la Borsa*.

"**Consolidated Banking Act**" means Legislative Decree No. 385 of 1 September 1993, as subsequently amended and supplemented.

"**Contractual Rights**" has the meaning given to it pursuant to the Mandate Agreement.

"**Corporate Services Agreement**" means the corporate services agreement entered on 18 June 2010 between, *inter alios*, the Guarantor and the Guarantor Corporate Servicer.

"**Corresponding Interest**" has the meaning given to the term "Interesse Collegato" in the Subordinated Loan Agreement.

"**Corresponding Series or Tranche of Covered Bonds**" means, in respect of a Fixed Interest Term Loan or a Floating Interest Term Loan, the Series or Tranche of Covered Bonds issued or to be issued pursuant to the Programme and notified by the Subordinated Lender to the Guarantor in the relevant Term Loan Proposal.

"**Cover Pool**" means the cover pool constituted by (i) Receivables; (ii) any other Eligible Assets; and (iii) any Top-Up Assets.

"**Cover Pool Management Agreement**" means the Cover Pool management agreement entered on 18 June 2010 between, *inter alios*, the Issuer, the Guarantor, the Principal Seller, the Pre-Issuer Default Test Calculation Agent, the Post-Issuer Default Test Calculation Agent, the Guarantor Calculation Agent and the Representative of the Bondholders, as amended from time to time.

"**Covered Bond Swap Agreement**" means each International Swaps and Derivatives Association ("**ISDA**") 1992 Master Agreement (*Multicurrency Cross Border*) (together with the Schedule and credit support annex thereto and the confirmations evidencing interest rate swap transactions thereunder) entered into from time to time between the Guarantor and a Covered Bond Swap Provider, as amended from time to time.

"**Covered Bond Swap Provider**" means any entity acting as covered bond swap provider under a Covered Bond Swap Agreement to the Guarantor and "**Covered Bond Swap Providers**" means more than one of them.

"**Covered Bonds**" means the Covered Bonds (*Obbligazioni Bancarie Garantite*) of each Series or Tranche issued or to be issued by the Issuer in the context of the Programme.

"**Credit and Collection Policy**" means the procedures for the management, collection and recovery of the Receivables attached as schedule 3 to the Master Servicing Agreement.

"**Criteria**" means, collectively, the Common Criteria, the Specific Criteria and any Additional Criteria pursuant to the terms of the Master Assets Purchase Agreement.

"**Day Count Fraction**" means, in respect of the calculation of an amount for any period of time (the "Calculation Period"), such day count fraction as may be specified in the Terms and Conditions or the relevant Final Terms and:

(i) if "**Actual/Actual (ICMA)**" is so specified, means:

(A) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and

(B) where the Calculation Period is longer than one Regular Period, the sum of:

(1) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (a) the actual number of days in such Regular Period and (b) the number of Regular Periods in any year; and

(2) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (a) the actual number of days in such Regular Period and (b) the number of Regular Periods in any year;

(ii) if "**Actual/Actual (ISDA)**" is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(iii) if "**Actual/365 (Fixed)**" is so specified, means the actual number of days in the Calculation Period divided by 365;

(iv) if "**Actual/360**" is so specified, means the actual number of days in the Calculation Period divided by 360;

(v) if "**30/360**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"**Y1**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y2**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M1**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M2**" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

"**D1**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

"**D2**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30";

(vi) if "**30E/360**" or "**Eurobond Basis**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"**Y1**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y2**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M1**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M2**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D1**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

"**D2**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D2 will be 30; and

(vii) if "**30E/360 (ISDA)**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"**Y1**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y2**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M1**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M2**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D1**" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

"**D2**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D2 will be 30,

provided, however, that in each such case the number of days in the Calculation Period is calculated from and including the first day of the Calculation Period to but excluding the last day of the Calculation Period.

"**DBRS**" means DBRS Ratings Limited.

"**DBRS Equivalent Rating**" means the DBRS rating equivalent of any of the below ratings by Moody's, Fitch or S&P:

DBRS	**Moody's**	**S&P**	**Fitch**
AAA	Aaa	AAA	AAA
AA(high)	Aa1	AA+	AA+
AA	Aa2	AA	AA
AA(low)	Aa3	AA-	AA-
A(high)	A1	A+	A+
A	A2	A	A
A(low)	A3	A-	A-
BBB(high)	Baa1	BBB+	BBB+
BBB	Baa2	BBB	BBB
BBB(low)	Baa3	BBB-	BBB-
BB(high)	Ba1	BB+	BB+
BB	Ba2	BB	BB
BB(low)	Ba3	BB-	BB-
B(high)	B1	B+	B+
B	B2	B	B

B(low)	B3	B-	B-
CCC(high)	Caa1	CCC+	CCC+
CCC	Caa2	CCC	CCC
CCC(low)	Caa3	CCC-	CCC-
CC	Ca	CC	CC
C	C	D	D

"**DBRS Rating**" is any of the following:

- Public rating
- Private rating
- Internal assessment

(a) if a Fitch public rating, a Moody's public rating and an S&P public rating in respect of the Eligible Investment or the Eligible Institution (each, a "**Public Long Term Rating**") are all available at such date, the DBRS Rating will be the DBRS Equivalent Rating of such Public Long Term Rating remaining after disregarding the highest and lowest of such Public Long Term Ratings from such rating agencies (provided that if such Public Long Term Rating is under credit watch negative, or the equivalent, then the DBRS Equivalent Rating will be considered one notch below). For this purpose, if more than one Public Long Term Rating has the same highest DBRS Equivalent Rating or the same lowest DBRS Equivalent Rating, then in each case one of such Public Long Term Ratings shall be so disregarded;

(b) if the DBRS Rating cannot be determined under (a) above, but Public Long Term Ratings of the Eligible Investment by any two of Fitch, Moody's and S&P are available at such date, the DBRS Equivalent Rating of the lower such Public Long Term Rating (provided that if such Public Long Term Rating is under credit watch negative, or the equivalent, then the DBRS Equivalent Rating will be considered one notch below); and

(c) if the DBRS Rating cannot be determined under (a) and (b) above, but Public Long Term Ratings by any one of Fitch, Moody's and S&P are available at such date, then the DBRS Equivalent Rating will be such Public Long Term Rating (provided that if such Public Long Term Rating is under credit watch negative, or the equivalent, then the DBRS Equivalent Rating will be considered one notch below).

If at any time the DBRS Rating cannot be determined under subparagraphs (a) to (c) above, the DBRS Rating will be deemed to be of "C" at such time.

"**Dealers**" means The Royal Bank of Scotland plc, Morgan Stanley & Co. International plc, MPS Capital Services Banca per l'Impresa S.p.A. and any other entity that will be appointed as such by the Issuer by means of the subscription of a letter under the terms or substantially under the terms provided in schedule 6 of the Programme Agreement.

"**Debtor**" means (i) with reference to the Mortgage Loans, any borrower and any other person, other than a Mortgagor, who entered into a Mortgage Loan Agreement as principal

debtor or guarantor or who is liable for the payment or repayment of amounts due in respect of a Mortgage Loan, as a consequence, *inter alia*, of having granted any Collateral Security or having assumed the borrower's obligation under an *accollo*, or otherwise; and (ii) with reference to the Asset Backed Securities, the relevant Issuer.

"**Decree 239 Deduction**" means the withholding tax provided under Decree No. 239.

"**Decree No. 213**" means Italian Legislative Decree number 213 of 24 June 1998, as amended and supplemented from time to time.

"**Decree No. 239**" means the Italian Legislative Decree number 239 of 1 April 1996, as subsequently amended and supplemented.

"**Decree No. 310**" means the ministerial decree No. 310 of 14 December 2006 issued by the Ministry of the Economy and Finance, as subsequently amended and supplemented.

"**Deed of Pledge**" means the Italian law deed of pledge entered on 18 June 2010.

"**Defaulted Asset Backed Securities**" means any Asset Backed Securities in respect of which an insolvency event or another event contractually indicated as event of default by the relevant issuer has occurred and is continuing pursuant to the relevant terms and conditions.

"**Defaulted Assets**" means, collectively, the Defaulted Receivables and the Defaulted Asset Backed Securities.

"**Defaulted Receivables**" means any Receivable (i) which has been classified as "defaulted" (*credito in sofferenza*) pursuant to the Bank of Italy's supervisory regulations (*Istruzioni di Vigilanza della Banca d'Italia*) and the Credit and Collection Policy; or (ii) in respect of which there are 12 unpaid Instalments (in respect of Receivables deriving from Mortgage Loans with monthly instalments), 7 unpaid Instalments (in respect of Receivables deriving from Mortgage Loans with quarterly instalments) or 4 unpaid Instalments (in respect of Receivables deriving from Mortgage Loans with semi-annual instalments).

"**Defaulting Party**" has the meaning ascribed to that term in the Swap Agreements.

"**Delinquent Assets**" means the Delinquent Receivables.

"**Delinquent Receivables**" means any Receivable (i) which has been classified as "delinquent" (*credito ad incaglio*) pursuant to the Bank of Italy's supervisory regulations (*Istruzioni di Vigilanza della Banca d'Italia*) and the Credit and Collection Policy, or (ii) in respect of which there are 7 unpaid Instalments (in respect of Receivables deriving from Mortgage Loans with monthly instalments), 5 unpaid Instalments (in respect of Receivables deriving from Mortgage Loans with quarterly instalments) or 3 unpaid Instalments (in respect of Receivables deriving from Mortgage Loans with semi-annual instalments), or (iii) deriving from Mortgage Loans which have been restructured in connection with the accession to the "*Combatti la crisi*" program.

"**Documentation**" means (i) any documentation relating to the Receivables comprised in the Portfolio; (ii) any documentation relating to the operations of securitisation in the context of which the Asset Backed Securities have been issued pursuant to Law 130; and (iii) any other documents relating to Eligible Assets and/or Top-Up Assets transferred from time to time by each Seller in the context of the Programme.

"**Drawdown Date**" means the date indicated in each Term Loan Proposal on which a Term Loan is granted pursuant to the Subordinated Loan Agreement (or, in respect of any Additional Subordinated Lenders, pursuant to the relevant Subordinated Loan Agreement) during the Subordinated Loan Availability Period.

"**Due for Payment**" means the requirement for the Guarantor to pay any Guaranteed Amounts following the delivery of a Guarantee Enforcement Notice after the occurrence of certain Issuer Events of Default, such requirement arising:(i) prior to the occurrence of a Guarantor Event of Default, on the date on which the Guaranteed Amounts are due and payable in accordance with the Terms and Conditions and the Final Terms of the relevant Series or Tranche of Covered Bonds (being the relevant Maturity Date or Extended Maturity Date, as the case may be); and(ii) following the occurrence of a Guarantor Event of Default, the date on which the Guarantor Default Notice is served on the Guarantor.

"**Earliest Maturing Covered Bonds**" means, at any time, the Series or Tranche of Covered Bonds that has or have the earliest Maturity Date (if the relevant Series or Tranche of Covered Bonds is not subject to an Extended Maturity Date) or Extended Maturity Date (if the relevant Series or Tranche of Covered Bonds is subject to an Extended Maturity Date) as specified in the relevant Final Terms.

"**Early Redemption Amount (Tax)**" means, in respect of any Series of Covered Bonds, the principal amount of such Series or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms.

"**Early Termination Amount**" means, in respect of any Series or Tranche of Covered Bonds, the principal amount of such Series or Tranche or such other amount as may be specified in, or determined in accordance with, the Terms and Conditions or the relevant Final Terms.

"**ECB Guidelines**" means the Guideline of the European Central Bank of 20 September 2011 (ECB/2011/14), published on the Official Gazette of the European Union no. 331 of 14 December 2011, as amended by the Guideline of the European Central Bank on 26 November 2012 (ECB/2012/25) published on the Official Gazette of the European Union no. 348 on 18 December 2012, both relating to monetary policy instruments and procedures of the Eurosystem, and the decisions of the European Central Bank dated, respectively, 20 March 2013 (ECB/2013/6), on the rules concerning the use as collateral for Eurosystem monetary policy operations of own-use uncovered government-guaranteed bank bonds, and 26 September 2013 on additional measures relating to Eurosystem refinancing operations and eligibility of collateral (ECB/2013/35), as subsequently amended and supplemented.

"**Eligible Assets**" means the following assets contemplated under article 2, sub-paragraph 1, of Decree No. 310:

(i) Residential Mortgage Loans;

(ii) Asset Backed Securities.

"**Eligible Institution**" means any credit institution incorporated under the laws of any state which is a member of the EEA or of the United States, whose short-*ter*m unsecured and unsubordinated debt obligations with respect to DBRS have a DBRS Rating or DBRS Equivalent Rating equal to the Minimum DBRS Rating, at least "F-1" by Fitch and at least

"P-1" by Moody's and whose long-term unsecured and unsubordinated debt obligations are rated at least "A" by Fitch and at least "P-1" by Moody's no long term Moody's rating, (provided that, if any of the above credit institutions is on rating watch negative, it shall be treated as one notch below its current Fitch rating) or any other rating level from time to time provided for in the Rating Agencies' criteria.

"**Eligible Investment**" means any investment denominated in Euro (unless a suitable hedging is in place) that has a maturity date falling, or which is redeemable at par together with accrued unpaid interest, no later than the next following Eligible Investment Liquidation Date and that is an obligation of a company incorporated in, or a sovereign issuer of, a Qualifying Country (as defined below), **provided that** in case of downgrade below such rating level the securities will be sold, if it could be achieved without a loss, otherwise the securities shall be allowed to mature, and is one or more of the following obligations or securities (including, without limitation, any obligations or securities for which the Cash Manager or the Representative of the Bondholders or an affiliate of any of them provides services):

(i) direct obligations of any agency or instrumentality of a sovereign of a Qualifying Country, the obligations of which agency or instrumentality are unconditionally and irrevocably guaranteed in full by a Qualifying Country, a "Qualifying Country" being a country rated at the time of such investment or contractual commitment providing for such investment in such obligations, at least "AA-" or "F1+" by Fitch, "Aa3" and "P-1" by Moody's and AA (low) or R-1 (middle) by DBRS;

(ii) demand and time deposits in, certificates of deposit of and bankers' acceptances issued by any depositary institution or trust company (including, without limitation, the English Account Bank and the Italian Account Bank) incorporated under the laws of a Qualifying Country with, in each case, a maturity of no more than 30 days (and in any case falling prior to the immediately following Eligible Investment Liquidation Date) and subject to supervision and examination by governmental banking authorities, provided that the commercial paper and/or the debt obligations of such depositary institution or trust company (or, in the case of the principal depositary institution in a holding company system, the commercial paper or debt obligations of such holding company) at the time of such investment or contractual commitment providing for such investment have a credit rating of at least "A" and "F1" by Fitch,"A2" and "P-1" by Moody's and with respect to DBRS rated according to the "DBRS A" table;

(iii) any security rated at least (A) "P-1" by Moody's, "A" and "F1" by Fitch and with respect to DBRS according to the DBRS A, if the relevant maturity is up to 30 calendar days, (B) "P-1" by Moody's and "AA-" or "F1+" by Fitch and with respect to DBRS according DBRS B table, if the relevant maturity is up to 365 calendar days provided that, in all cases, the maximum aggregate total exposures in general to classes of assets with certain ratings by the Ratings Agencies will, if requested by any Rating Agencies, be limited to the maximum percentages specified by any such Rating Agencies;

(iv) any Top-Up Asset and/or Public Entity Securities and/or Asset Backed Securities, provided that, in all cases, such investments shall from time to time comply with Rating Agencies' criteria;

(v) subject to the rating of the Covered Bonds not being affected, unleveraged repurchase obligations with respect to: (1) commercial paper or other short-*ter*m obligations having, at the time of such investment, a credit rating of at least "AA-" or "F1+" by Fitch, "Aa3" and "P-1" by Moody's and a maturity of not more than 180 days from their date of issuance and with respect to DBRS, a credit rating of the counterparty according to the DBRS A and DBRS B tables; (2) off-shore money market funds rated, at all times, "AAA/V-1" by Fitch and "Aaa/MR1+" by Moody's and with respect to DBRS, a credit rating of the counterparty according to the tables DBRS A and DBRS B; and (3) any other investment similar to those described in paragraphs (1) and (2) above: (a) provided that any such other investment will not affect the rating of the Covered Bonds; and (b) which has the same rating as the investment described in paragraphs (1) and (2) above, provided that, (x) in any event, none of the Eligible Investments set out above may consist, in whole or in part, actually or potentially, of credit-linked notes or similar claims resulting from the transfer of credit risk by means of credit derivatives nor may any amount available to the Guarantor in the context of the Programme otherwise be invested in any such instruments at any time and (y) title to the securities underlying such repurchase transactions (in the period between the execution of the relevant repurchase transactions and their respective maturity) effectively passes (as confirmed by a non qualified legal opinion by a primary standing law firm) to the Issuer and the obligations of the relevant counterparty are not related to the performance of the underlying securities.

DBRS A Table: eligible Investments with a maturity up to 30 days: CB Rating	**Eligible Investment Rating**
AAA	A or R-1(middle)
AA (high)	A or R-1(middle)
AA	A or R-1(middle)
AA (low)	A or R-1(middle)
A (high)	BBB (high) or R-2 (high)
A	BBB or R-2 (middle)
A (low)	BBB (low) or R-2 (low)
BBB (high)	BBB (low) or R-2 (low)
BBB	BBB (low) or R-2 (low)
BBB (low)	BBB (low) or R-2 (low)
BB (high)	BB (high) or R-3
BB	BB or R-4
BB (low)	BB (low) or R-4

DBRS B Table

Maximum maturity	**CB rated at least AA (low)**	**CB rated between A (high) and A (low)**	**CB rated BBB (high) and below**
90 days	AA (low) or R-1 (middle)	A (low) or R-1 (low)	BBB (low) or R-2 (middle)
180 days	AA or R-1 (high)	A or R-1 (low)	BBB or R-2 (high)
365 days	AAA or R-1 (high)	A (high) or R-1 (middle)	BBB or R-2 (high)

"**Eligible Investment Date**" means, in respect of any investment in Eligible Investments made or to be made in accordance with the Programme Documents, any Business Day immediately after a Guarantor Payment Date.

"**Eligible Investment Liquidation Date**" means, in respect of any investment in Eligible Investments made or to be made in accordance with the Programme Documents, two Business Days before the Guarantor Calculation Date immediately following the relevant Eligible Investment Date.

"**Eligible Investments Securities Account**" means the securities account number 284175,31 opened in the name of the Guarantor with the Italian Account Bank or any other substitutive account that may be opened in accordance with the Cash Allocation, Management and Payments Agreement.

"**English Account**" means each of the Main Programme Account and the Reserve Account, and "English Accounts" means all of them.

"**English Account Bank**" means Banca Monte dei Paschi di Siena S.p.A., acting through its London branch with offices at 6th Floor, Capital House 85, King William Street, London EC4N 7BL, United Kingdom.

"**English Account Bank Agreement**" means the English Account Bank agreement entered on 18 June 2010 between, *inter alios*, the Issuer, the Guarantor, the Italian Account Bank, the English Account Bank and the Representative of the Bondholders, as amended from time to time.

"**English Back-Up Account Bank**" means The Bank of New York Mellon S.A.\N.V., London Branch or any other entity appointed to act as such pursuant to the Cash Allocation, Management and Payments Agreement.

"**EONIA**" means the weighted average of overnight Euro Interbank Offer Rates for inter-bank loans and for Euro currency deposits.

"**EU Insolvency Regulation**" means Council Regulation (EC) No. 1346/2000 of 29 May 2000.

"**EU Directive on the Reorganisation and Winding up of Credit Institutions**" means Directive 2001/2/EC of the European Parliament and of the Council of 4 April 2001 on the reorganisation and winding up of credit institutions.

"**EURIBOR**" (1) with respect to the Covered Bonds, has the meaning ascribed to it in the relevant Final Terms; and (2) with reference to each Loan Interest Period, means the rate denominated "Euro Interbank Offered Rate" (i) at 3 (three) months (provided that for the First Loan Interest Period, such rate will be calculated on the basis of the linear interpolation of 3-month Euribor and 4-month Euribor), published on Reuters' page "Euribor01" on the menu "Euribor" or (A) in the different page which may substitute the Reuters' page "Euribor01" on the menu "Euribor", or (B) in the event such page or such system is not available, on the page of a different system containing the same information that can substitute Reuters' page "Euribor01" on the menu "Euribor" (or, in the event such page is available from more than one system, in the one selected by the Representative of the Bondholders) (hereinafter, the "**Screen Rate**") at 11.00 a.m. (Brussels time) of the date of determination of Interest falling

immediately before the beginning of such Loan Interest Period; or (ii) in the event that on any date of determination of Interest the Screen Rate is not published, the reference rate will be the arithmetic average (rounded off to three decimals) of the rates communicated to the Guarantor Calculation Agent, following request of such Guarantor Calculation Agent, by the Reference Banks at 11.00 a.m. (Brussels time) on the relevant date of determination of Interest and offered to other financial institutions of similar standing for a reference period similar to such Loan Interest Period; or (ii) in the event the Screen Rate is not available and only two or three Reference Banks communicate the relevant rate quotations to the Guarantor Calculation Agent, the relevant rate shall be determined, as described above, on the basis of the rate quotations provided by the Reference Banks; or (iv) in the event that the Screen Rate is not available and only one or no Reference Banks communicate such quotation to the Guarantor Calculation Agent, the relevant rate shall be the rate applicable to the immediately preceding period under sub-paragraphs (i) or (ii) above, provided that if the definition of Euribor is agreed differently in the context of the Asset Swap Agreement entered into by and between the Guarantor and an Asset Swap Provider in the context of the Programme, such definition will replace this definition.

"**Euro**", "**€**" and "**EUR**" refer to the single currency of member states of the EEA which adopt the single currency introduced in accordance with the Treaty.

"**Euro Equivalent**" means, in case of an issuance of Covered Bonds denominated in currency other than the Euro, an equivalent amount expressed in Euro calculated at the prevailing exchange rate.

"**Euroclear**" means Euroclear Bank S.A./N.V., with offices at 1 boulevard du Roi Albert II, B-1210 Brussels.

"**European Economic Area**" means the region comprised of member states of the EEA which adopt the Euro currency in accordance with the Treaty.

"**Excess Assets**" means, collectively, any Eligible Asset and Top-Up Asset forming part of the Cover Pool which are in excess for the purpose of satisfying the Tests.

"**Excess Term Loan Amount**" means any amount equal to the Accrued Interest collected by the Guarantor, as specified in the relevant Servicer' s Reports.

"**Execution Date**" means (i) with respect to the assignment of the Initial Portfolio, the date falling on the date on which the Principal Seller receives from the Guarantor the letter of acceptance of the Master Assets Purchase Agreement, Master Servicing Agreement, Warranty and Indemnity Agreement and Subordinated Loan Agreement, and (ii) with respect to the assignment of each New Portfolio, the date on which each of the Principal Seller or Additional Seller (if any) receives from the Guarantor the letter of acceptance of the relevant Transfer Proposal.

"**Expenses**" means any documented fees, costs, expenses and taxes required to be paid to any third party creditors (other than the Bondholders and the Other Guarantor Creditors) arising in connection with the Programme, and required to be paid in order to preserve the existence of the Guarantor or to maintain it in good standing, or to comply with applicable laws and legislation.

"**Expenses Account**" means the account denominated in Euro and opened on behalf of the Guarantor with the Italian Account Bank, IBAN IT 81 J 01030 12000 000000736131, or any other substitutive account that may be opened pursuant to the Cash Allocation, Management and Payments Agreement.

"**Extended Maturity Date**" means, in relation to a specific Series or Tranche of Covered Bonds, the date falling 38 years after the relevant Maturity Date.

"**Extension Determination Date**" means, with respect to each Series or Tranche of Covered Bonds, the date falling 4 calendar days after the Maturity Date of the relevant Series.

"**Final Redemption Amount**" means, in respect of any Series or Tranche of Covered Bonds, the principal amount of such Series.

"**Final Terms**" means, in relation to any issue of any Series or Tranche of Covered Bonds, the relevant terms contained in the applicable Programme Documents and, in case of any Series or Tranche of Covered Bonds to be admitted to listing, the final terms submitted to the appropriate listing authority on or before the Issue Date of the applicable Series or Tranche of Covered Bonds.

"**Financial Laws Consolidation Act**" means Italian Legislative Decree number 58 of 24 February 1998, as amended and supplemented from time to time.

"**First Interest Payment Date**" means the date specified in the relevant Final Terms.

"**First Issue Date**" means the Issue Date of the first Covered Bonds issued under the Programme.

"**First Loan Interest Period**" means, in relation to any Term Loan, the period starting on the relevant Drawdown Date (exclusive) and ending on the first following Guarantor Payment Date (inclusive).

"**First Series of Covered Bonds**" means the first Series of Covered Bonds issued by the Issuer in the context of the Programme.

"**First Tranche of Covered Bonds**" means if applicable the first Tranche of Covered Bonds issued by the Issuer in the context of the issuance of the First Series of Covered Bonds.

"**Fitch**" means Fitch Ratings Limited.

"**Fixed Coupon Amount**" has the meaning given in the relevant Final Terms.

"**Fixed Interest Term Loan**" means any Term Loan granted under the Subordinated Loan Agreement in respect of which a fixed rate Corresponding Interest applies as indicated in the relevant Term Loan Proposal and corresponding to the interest payable on the corresponding Series or Tranche of Covered Bonds.

"**Floating Interest Term Loan**" means any Term Loan granted under the Subordinated Loan Agreement in respect of which a floating rate Corresponding Interest applies as indicated in the relevant Term Loan Proposal and corresponding to the interest payable on the corresponding Series or Tranche of Covered Bonds.

"**Fixed Rate Provisions**" has the meaning set out in Condition 5 (*Fixed Rate Provisions*).

"**Floating Rate Provisions**" has the meaning given in the relevant Final Terms.

"**FSMA**" means the Financial Services and Markets Act 2000, as amended from time to time.

"**Guarantee**" means the guarantee granted by the Guarantor for the purpose of guaranteeing the payments owed by the Issuer to the Bondholders and to the Other Guarantor Creditors pursuant to Law 130, Decree No. 310 and the Bank of Italy Regulations.

"**Guarantee Enforcement Notice**" means the notice to be served by the Representative of the Bondholders upon occurrence of certain Issuer Events of Default as better specified in Condition 11.2 (*Issuer Events of Default*).

"**Guarantee Priority of Payments**" means the order of priority pursuant to which the Guarantor Available Funds shall be applied on each Guarantor Payment Date, following the delivery of a Guarantee Enforcement Notice and prior to the delivery of a Guarantor Default Notice, in accordance with the Intercreditor Agreement.

"**Guaranteed Amounts**" means the Redemption Amount, the Interest Amount and any other amounts due from time to time by the Issuer to the Bondholders with respect to each Series or Tranche of Covered Bonds, including, for avoidance of doubt and without double counting, any amount that have been already paid timely by (or on behalf of) the Issuer to the Bondholders, to the extent it was clawed-back thereafter by a bankruptcy receiver, liquidator or other duly appointed officer upon opening of any bankruptcy proceedings or other similar insolvency proceedings of the Issuer.

"**Guaranteed Obligations**" means the payment obligations with respect to the Guaranteed Amounts.

"**Guarantor**" means MPS Covered Bond S.r.l. acting in its capacity as guarantor pursuant to the Guarantee.

"**Guarantor's Accounts**" means, collectively, the Italian Collection Account, the Italian Securities Collection Account, the Main Programme Account, the Expenses Account, the Eligible Investments Securities Account and any other account opened in the context of the Programme with the exception of any Collateral Account(s) as defined pursuant to clause 7.4 of the Intercreditor Agreement.

"**Guarantor Available Funds**" means, collectively, the Interest Available Funds and the Principal Available Funds.

"**Guarantor Calculation Agent**" means Securitisation Services S.p.A. or any other entity acting in such capacity pursuant to the terms of the Cover Pool Management Agreement.

"**Guarantor Calculation Date**" means the date falling on the 22th calendar day of March, June, September and December, or, if such day is not a Business Day, the immediately succeeding Business Day.

"**Guarantor Corporate Servicer**" means Securitisation Services S.p.A. or any other entity acting in such capacity pursuant to the terms of the Corporate Services Agreement.

"**Guarantor Default Notice**" means the notice to be served by the Representative of the Bondholders in case of a Guarantor Event of Default.

"**Guarantor Event of Default**" has the meaning given to it in the Terms and Conditions of the Covered Bonds.

"**Guarantor Payment Date**" means (a) prior to the delivery of a Guarantor Default Notice, the date falling 5 Business Days after the Guarantor Calculation Date of March, June, September and December or, if such day is not a Business Day, the immediately following Business Day; and (b) following the delivery of a Guarantor Default Notice, any day on which any payment is required to be made by the Representative of the Bondholders in accordance with the Post-Enforcement Priority of Payments, the relevant Terms and Conditions and the Intercreditor Agreement.

"**Guarantor's Rights**" means the Guarantor's rights under the Programme Documents.

"**IFRS**" means international financial reporting and accounting standards issued by the International Accounting Standards Board (IASB).

"**Individual Purchase Price**" means:

(a) with respect to each Receivable transferred pursuant to the Master Assets Purchase Agreements, the most recent book value (ultimo valore di iscrizione in bilancio) of the relevant Receivable:

    (i) minus the aggregate amount of (1) the accrued interest obtained at the date of the last financial statement with reference to such Receivable and included in such book value; and (2) any collections with respect to principal received by the relevant Seller with respect to such Receivable, starting from the date of the most recent financial statement (ultimo bilancio) until the relevant Valuation Date (included); and

    (ii) increased of the aggregate amount of the Accrued Interest with respect to such Receivable obtained at the relevant Valuation Date;

(b) such other value, pursuant to article 7-*bis*, sub-paragraph 7, of Law 130, as indicated by the Principal Seller (or each Additional Seller, if any) in the relevant Transfer Proposal (also with respect to any further Eligible Assets different from the Receivables or any Top-Up Assets).

"**Initial Portfolio**" means the first portfolio of Receivables and related Security Interests to be purchased by the Guarantor pursuant to the Master Assets Purchase Agreement.

"**Initial Portfolio Purchase Price**" means the consideration paid by the Guarantor to the Principal Seller for the transfer of the Initial Portfolio, calculated in accordance with clause 5.1 of the Master Assets Purchase Agreement.

"**Insolvency Event**" means in respect of any company, entity or corporation that:

(i) such company, entity or corporation has become subject to any applicable bankruptcy, liquidation, administration, insolvency, composition or reorganisation (including, without limitation, "*fallimento*", "*liquidazione coatta amministrativa*", "*concordato*

preventivo" and "*amministrazione straordinaria*", each such expression bearing the meaning ascribed to it by the laws of the Republic of Italy, and including the seeking of liquidation, winding-up, reorganisation, dissolution, administration) or similar proceedings or the whole or any substantial part of the undertaking or assets of such company, entity or corporation are subject to a pignoramento or any procedure having a similar effect (other than in the case of the Guarantor, any portfolio of assets purchased by the Guarantor for the purposes of further programme of issuance of Covered Bonds), unless in the opinion of the Representative of the Bondholders, (who may in this respect rely on the advice of a legal adviser selected by it), such proceedings are being disputed in good faith with a reasonable prospect of success; or

(ii) an application for the commencement of any of the proceedings under (i) above is made in respect of or by such company, entity or corporation or such proceedings are otherwise initiated against such company, entity or corporation and, in the opinion of the Representative of the Bondholders (who may in this respect rely on the advice of a legal adviser selected by it), the commencement of such proceedings are not being disputed in good faith with a reasonable prospect of success; or

(iii) such company, entity or corporation takes any action for a re-adjustment of deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors (other than, in case of the Guarantor, the creditors under the Programme Documents) or is granted by a competent court a moratorium in respect of any of its indebtedness or any guarantee of any indebtedness given by it or applies for suspension of payments (other than, in respect of the Issuer, the issuance of a resolution pursuant to Article 74 of the Consolidated Banking Act); or

(iv) an order is made or an effective resolution is passed for the winding-up, liquidation or dissolution in any form of such company, entity or corporation or any of the events under article 2448 of the Civil Code occurs with respect to such company, entity or corporation (except in any such case a winding-up or other proceeding for the purposes of or pursuant to a solvent amalgamation or reconstruction, the terms of which have been previously approved in writing by the Representative of the Bondholders); or

(v) such company, entity or corporation becomes subject to any proceedings equivalent or analogous to those above under the law of any jurisdiction in which such company or corporation is deemed to carry on business.

(vi) such company, entity or corporation becomes subject to any proceedings resulting from the implementation of directive 2014/59/UE of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms (the "**Bank Recovery and Resolution Directive**"),

"**Instalment**" means with respect to each Mortgage Loan Agreement, each instalment due from the relevant Debtor thereunder and which consists of an Interest Instalment and a Principal Instalment.

"**Instalment Amount**" has the meaning set out in condition 8(h).

"**Insurance Policies**" means (i) each insurance policy taken out with the insurance companies in relation to each Real Estate Asset and each Mortgage Loan or (ii) any possible "umbrella" insurance policy in relation to the Real Estate Assets which have lost their previous relevant insurance coverage.

"**Intercreditor Agreement**" means the intercreditor agreement entered on 18 June 2010 between, *inter alios*, the Guarantor and the Other Guarantor Creditors, as amended from time to time.

"**Interest Amount**" means, in relation to any Series or Tranche of Covered Bonds and an Interest Period, the amount of interest payable in respect of that Series or Tranche for that Interest Period.

"**Interest Available Funds**" means in respect of any Guarantor Payment Date, the aggregate of:

(i) any interest amounts collected by the Servicer in respect of the Cover Pool and credited into the Main Programme Account during the immediately preceding Collection Period;

(ii) all recoveries in the nature of interest received by the Servicer and credited to the Main Programme Account during the immediately preceding Collection Period;

(iii) all amounts of interest accrued (net of any withholding or expenses, if due) and paid on the Programme Accounts during the immediately preceding Collection Period;

(iv) any amounts standing to the credit of the Reserve Account in excess of the Required Reserve Amount, and following the service of a Guarantee Enforcement Notice, on the Guarantor, any amounts standing to the credit of the Reserve Account;

(v) any interest amounts standing to the credit of the Programme Accounts;

(vi) all interest amounts received from the Eligible Investments;

(vii) subject to item (ix) below, any amounts received under the Asset Swap Agreement and the Covered Bond Swap Agreement,

provided that, prior to the occurrence of a Guarantor Event of Default, any such amounts received on or after such Guarantor Payment Date (included) but prior to the next following Guarantor Payment Date (excluded) will be applied, together with any provision for such payments made on any preceding Guarantor Calculation Date, (i) to make payments in respect of interest due and payable, *pro rata* and *pari passu* in respect of each relevant Covered Bond Swap Agreement or, as the case may be, (ii) to make payments in respect of interest due on the Covered Bonds under the Guarantee, *pari passu* and *pro rata* in respect of each relevant Series or Tranche of Covered Bonds, or (iii) to make provision for the payment of such relevant proportion of such amounts to be paid on any other day up to the immediately following Guarantor Payment Date, as the Guarantor Calculation Agent may reasonably determine, or otherwise;

(viii) subject to item (ix) below, any amounts received under the Covered Bond Swap Agreements other than any Swap Collateral Excluded Amounts;

(ix) any swap termination payments received from a Swap Provider under any Swap Agreement;

provided that, prior to the occurrence of a Guarantor Event of Default, such amounts will be, to the extent permitted by the relevant Swap Agreement, net of any cost necessary to replace the swap provider and find an eligible swap counterparty to enter into a replacement swap agreement;

(x) all interest amounts received from the Principal Seller (or any Additional Seller, if any) by the Guarantor pursuant to the Master Assets Purchase Agreement during the immediately preceding Collection Period;

(xi) any amounts paid as Interest Shortfall Amount out of item (First) of the Pre-Issuer Default Principal Priority of Payments; and

(xii) any amounts (other than the amounts already allocated under other items of the Guarantor Available Funds) received by the Guarantor from any party to the Programme Documents during the immediately preceding Collection Period.

"**Interest Commencement Date**" means the Issue Date of the relevant Series or Tranche of Covered Bonds or such other date as may be specified as the Interest Commencement Date in the relevant Final Terms.

"**Interest Coverage Test**" has the meaning as indicated pursuant to clause 2.4 of the Cover Pool Management Agreement.

"**Interest Determination Date**" has the meaning given in the relevant Final Terms.

"**Interest Instalment**" means the interest component of each Instalment.

"**Interest Payment Date**" means the First Interest Payment Date and any date or dates specified as such in, or determined in accordance with the provisions of, the relevant Final Terms and, if a Business Day Convention is specified in the relevant Final Terms:

(i) as the same may be adjusted in accordance with the relevant Business Day Convention; or

(ii) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Final Terms as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case).

"**Interest Period**" means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date.

"**Interest Shortfall Amount**" means, on any Guarantor Payment Date, an amount equal to the difference, if positive, between (a) the aggregate amounts payable (but for the operation of clause 13 (*Enforcement of Security, Non Petition and Limited Recourse*) of the

Intercreditor Agreement) under items *First* to *Fifth* of the Pre-Issuer Default Interest Priority of Payments; and (b) the Interest Available Funds (net of such Interest Shortfall Amount) on such Guarantor Payment Date.

"**ISDA Definitions**" has the meaning given in the relevant Final Terms.

"**ISDA Determination**" has the meaning given in the relevant Final Terms.

"**Issue Date**" means each date on which a Series or Tranche of Covered Bonds is issued.

"**Issuer**" means BMPS.

"**Issuer Event of Default**" has the meaning given to it in the Terms and Conditions of the Covered Bonds.

"**Issuer Default Notice**" means the notice to be served by the Representative of the Bondholders to upon occurrence of certain Issuer Event of Default as better specified in Condition 11.2 (*Issuer Events of Default*).

"**Istruzioni di Vigilanza**" means the regulations for banks issued by the Bank of Italy on 21 April 1999 with Circular No. 229, as subsequently amended and supplemented.

"***Istruzioni di Vigilanza per gli Intermediari Finanziari***" means the regulations for financial intermediaries issued by the Bank of Italy on 5 August 1996 with circular number 216, as subsequently amended and supplemented.

"**Italian Account Bank**" means BMPS in its capacity as Italian account bank pursuant to the Cash Allocation, Management and Payments Agreement.

"**Italian Account Bank Report**" means the report produced by the Italian Account Bank pursuant to the Cash Allocation, Management and Payments Agreement.

"**Italian Account**" means each of the Italian Collection Account, the Italian Securities Collection Account, the Payments Account, the Expenses Account and the Eligible Investments Securities Account, and "**Italian Accounts**" means all of them.

"**Italian Back-Up Account Bank**" means The Bank of New York Mellon (Luxembourg) S.A., Italian Branch or any other entity appointed to act as such pursuant to the Cash Allocation, Management and Payments Agreement.

"**Italian Collection Account**" means any of the account denominated in Euro opened in the name of the Guarantor and held by the Italian Account Bank for the deposit of any amount of the Collections of the Portfolios number 000008417530 (IBAN: IT 27 S 01030 14200 000008417530) and any other account which may be opened by the Guarantor if a bank part of the Montepaschi Group will accede the Programme in its capacity as Additional Seller and Additional Servicer, for the deposit of the collections of the Portfolios transferred by such bank, in its capacity as Additional Seller, to the Guarantor, or any other substitutive account which may be opened by the Guarantor pursuant to the Cash Allocation, Management and Payments Agreement.

"**Italian Securities Collection Account**" means any of the securities account opened in the name of the Guarantor and held by the Italian Account Bank for the deposit of the Asset

Backed Securities number 184175,79 and any other account which may be opened by the Guarantor if a bank part of the Montepaschi Group will accede the Programme in its capacity as Additional Seller and Additional Servicer, for the deposit of the Asset Backed Securities transferred by such bank, in its capacity as Additional Seller, to the Guarantor, or any other substitutive account which may be opened by the Guarantor pursuant to the Cash Allocation, Management and Payments Agreement.

"**Joint-Arrangers**" means, collectively, Morgan Stanley & Co. International plc, BMPS and The Royal Bank of Scotland plc.

"**Latest Valuation**" means, at any time with respect to any Real Estate Asset, the value given to the relevant Real Estate Asset by the most recent valuation (to be performed in accordance with the requirements provided for under the Prudential Regulations) addressed to the Seller(s) or obtained from an independently maintained valuation model, acceptable to reasonable and prudent institutional mortgage lenders in Italy.

"**Joint Regulation**" means the joint regulation of CONSOB and the Bank of Italy dated 22 February 2008 and published in the Official Gazette No. 54 of 4 March 2008, as subsequently amended and supplemented from time to time.

"**Law 130**" means Italian Law No. 130 of 30 April 1999 as the same may be amended, modified or supplemented from time to time.

"**Liabilities**" means in respect of any person, any losses, damages, costs, charges, awards, claims, demands, expenses, judgements, actions, proceedings or other liabilities whatsoever including legal fees and any taxes and penalties incurred by that person, together with any value added or similar tax charged or chargeable in respect of any sum referred to in this definition.

"**Loan Interest**" means any of the Base Interest or the Corresponding Interest, as calculated in the Subordinated Loan Agreement.

"**Loan Interest Period**" means, in relation to any Term Loan: (i) the relevant First Loan Interest Period; and thereafter (ii) each period starting on a Guarantor Payment Date (excluded) and ending on the following Guarantor Payment Date (included).

"**Main Programme Account**" means the account denominated in Euro opened in the name of the Guarantor and held by the English Account Bank, number 50456002 (IBAN GB58 PASC 4051 6850 4560 02), or any other substitutive account which may be opened by the Guarantor pursuant to the Cash Allocation, Management and Payments Agreement.

"**Mandate Agreement**" means the mandate agreement entered on 18 June 2010 between the Guarantor and the Representative of the Bondholders.

"**Mandatory Tests**" means the tests provided for under article 3 of Decree No. 310 as calculated pursuant to the Cover Pool Management Agreement.

"**Margin**" has the meaning set out to the term "Margine" in the Subordinated Loan Agreement.

"**Master Assets Purchase Agreement**" means the master assets purchase agreement entered on 25 May 2010 between the Guarantor, the Principal Seller and, following accession to the Programme, each Additional Seller, as amended from time to time.

"**Master Definitions Agreement**" means the master definitions agreement entered into on or about 18 June 2010 between the parties of the Programme Documents, as amended from time to time.

"**Master Servicing Agreement**" means the master servicing agreement entered on 25 May 2010 between the Guarantor, the Principal Servicer and, following accession to the Programme, each Additional Servicer, as amended from time to time.

"**Maturity Date**" means each date on which final redemption payments for a Series or Tranche of Covered Bonds become due in accordance with the Final Terms but subject to it being extended to the Extended Maturity Date.

"**Maximum Rate of Interest**" means has the meaning given in the relevant Final Terms.

"**Maximum Redemption Amount**" means has the meaning given in the relevant Final Terms.

"**Meetings**" has the meaning ascribed to such term in the Rules of the Organisation of the Bondholders.

"**Merger**" means the merger by way of incorporation of BAV in BMPS with effect as of 28 April 2013 for civil code purposes and as of 1 January 2013 for accounting and tax purposes. Following the Merger, BMPS assumed all rights and obligations of BAV in its capacity as Additional Seller; Additional Servicer and Additional Subordinated Lender under the Programme and any reference to BAV in the Programme Documents shall be deemed to be referred to BMPS, which takes over any and all activities and roles previously carried out by BAV.

"**Minimum DBRS Rating**":

Highest Rating Assigned to Rated Securities	**Minimum Instruction Rating**
AAA (sf)	"A"
AA (high) (sf)	"A"
AA (sf)	"A"
AA (low) (sf)	"A"
A (high) (sf)	BBB (high)
A (sf)	BBB
A (low) (sf)	BBB (low)
BBB (high) (sf)	BBB (low)
BBB (sf)	BBB (low)
BBB (low) (sf)	BBB (low)

"**Minimum Rate of Interest**" has the meaning given in the relevant Final Terms.

"**Minimum Redemption Amount**" has the meaning given in the relevant Final Terms.

"**Montepaschi Group**" means, together, the banks and other companies belonging from time to time to the banking group "Gruppo Montepaschi", enrolled with the register of banking groups held by the Bank of Italy pursuant to article 64 of the Consolidated Banking Act.

"**Monte Titoli**" means Monte Titoli S.p.A..

"**Monte Titoli Account Holders**" means any authorised financial intermediary institution entitled to hold accounts on behalf of its customers with Monte Titoli (as intermediari aderenti) in accordance with article 30 of Decree No. 213 and includes any depositary banks approved by Clearstream and Euroclear.

"**Monthly Collection Period**" means (a) each period commencing on (and including) a Collection Date and ending on (but excluding) the following Collection Date; and (b) in the case of the first Monthly Collection Period, the period commencing on (and including) the Valuation Date and ending on (and including) the last calendar day of the month immediately preceding the first Guarantor Payment Date.

"**Monthly Servicer's Report**" means, with reference to the Principal Servicer the monthly report prepared by the Principal Servicer and with reference to any Additional Servicer, the monthly report prepared by any Additional Servicer pursuant to the Master Servicing Agreement.

"**Monthly Servicer's Report Date**" means (i) prior to the delivery of a Guarantor Default Notice, the date falling on the 15th calendar day of each month or, if such day is not a Business Day, the immediately preceding Business Day and (b) following the delivery of a Guarantor Default Notice, such date as may be indicated by the Representative of the Bondholders.

"**Moody's**" means Moody's Investors Service Limited.

"**Mortgage**" means the mortgage security interests (*ipoteche*) created on the Real Estate Assets pursuant to Italian law in order to secure claims in respect of the Receivables.

"**Mortgage Loan**" means a Residential Mortgage Loan, the claims in respect of which have been and/or will be transferred by the Seller to the Guarantor pursuant to the Master Assets Purchase Agreement.

"**Mortgage Loan Agreement**" means any residential mortgage loan agreement out of which the Receivables arise.

"**Mortgagor**" means any person, either a borrower or a third party, who has granted a Mortgage in favour of the relevant Seller to secure the payment or repayment of any amounts payable in respect of a Mortgage Loan, and/or his/her successor in interest.

"**Negative Carry Factor**" is a percentage calculated by reference to the weighted average margin of the Covered Bonds and will, in any event, be not less than 0.5 per cent.

"**Net Present Value Test**" has the meaning as indicated pursuant to clause 2.3 of the Cover Pool Management Agreement.

"**New Portfolio**" means any portfolio of Assets (other than the Initial Portfolio) which may be purchased by the Guarantor pursuant to the terms and subject to the conditions of the Master Assets Purchase Agreement.

"**New Portfolio Purchase Price**" means the consideration which the Guarantor shall pay to the relevant Seller for the transfer of each New Portfolio in accordance with the Master Assets Purchase Agreement and equal to the aggregate amount of the Individual Purchase Price of all the relevant Assets included in the relevant New Portfolio.

"**Nominal Value Test**" has the meaning as indicated pursuant to clause 2.2 of the Cover Pool Management Agreement.

"**Non-Performing Asset**" means, collectively, the Defaulted Receivables, the Delinquent Receivables and any Defaulted Asset Backed Securities.

"**Notice**" means any notice delivered under or in connection with any Programme Document.

"**Obligations**" means all the obligations of the Guarantor created by or arising under the Programme Documents.

"**Order**" means a final, judicial or arbitration decision, ruling or award from a court of competent jurisdiction that is not subject to possible appeal or reversal.

"**Optional Redemption Amount (Call)**" has the meaning given in the relevant Final Terms.

"**Optional Redemption Amount (Put)**" has the meaning given in the relevant Final Terms.

"**Optional Redemption Date (Call)**" has the meaning given in the relevant Final Terms.

"**Optional Redemption Date (Put)**" has the meaning given in the relevant Final Terms.

"**Organisation of the Bondholders**" means the association of the Bondholders, organised pursuant to the Rules of the Organisation of the Bondholders.

"**Other Guarantor Creditors**" means the Principal Seller and each Additional Seller, if any, the Principal Servicer and each Additional Servicer, if any, the Back-up Servicer, the Principal Subordinated Lender and each Additional Subordinated Lender, if any, the Guarantor Calculation Agent, the Pre-Issuer Default Test Calculation Agent, the Post-Issuer Default Test Calculation Agent, the Representative of the Bondholders, the Asset Monitor, the Asset Swap Provider, the Covered Bond Swap Providers, the Italian Account Bank, the Back-Up Account Bank, the English Account Bank, the Principal Paying Agent, the Paying Agent(s), the Luxembourg Listing and Paying Agent, the Guarantor Corporate Servicer and the Portfolio Manager (if any).

"**Outstanding Principal Balance**" means any Principal Balance outstanding in respect of any asset included in the Cover Pool.

"**Pass Through Series**" means:

(a) any Series of Covered Bonds in respect of which:

(i) the Issuer has failed to repay in whole or in part the relevant Final Redemption Amount on the applicable Maturity Date and a Guarantee Enforcement Notice has been served on the Guarantor; and

(ii) the Guarantor has insufficient moneys available under the relevant Priority of Payments to pay the Guaranteed Amounts corresponding to the Final Redemption Amount in respect of such Series of Covered Bonds on the relevant Extension Determination Date;

(b) all Series of Covered Bonds if a Guarantee Enforcement Notice has been delivered (and, in case of a Guarantee Enforcement Notice delivered as result of an Article 74 Event, prior to the delivery of an Article 74 Event Cure Notice) and a breach of the Amortisation Test has occurred.

"**Paying Agent**" means the Principal Paying Agent and each other paying agent appointed from time to time under the terms of the Cash Allocation, Management and Payments Agreement.

"**Payment Business Day**" means a day on which banks in the relevant Place of Payment are open for payment of amounts due in respect of debt securities and for dealings in foreign currencies and any day which is:

(i) if the currency of payment is euro, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or

(ii) if the currency of payment is not euro, a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre.

"**Payments Account**" means the account denominated in Euro that will be opened in the name of the Guarantor and held with the Payments Account Bank or any other substitutive account which may be opened pursuant to the Cash Allocation, Management and Payments Agreement.

"**Payments Report**" means the report to be prepared and delivered by the Guarantor Calculation Agent pursuant to the Cash Allocation, Management and Payments Agreement.

"**Performing Receivables**" means any Receivable which has not been classified as Delinquent Receivable or Defaulted Receivable.

"**Place of Payment**" means, in respect of any Bondholders, the place at which such Bondholder receives payment of interest or principal on the Covered Bonds.

"**Portfolio**" means collectively the Initial Portfolio and any other New Portfolios which has been purchased and which will be purchased by the Guarantor in accordance with the terms of the Master Assets Purchase Agreement.

"**Portfolio Manager**" means the subject appointed as portfolio manager pursuant to the Cover Pool Management Agreement or any other entity acting in such capacity pursuant to the Cover Pool Management Agreement.

"**Post-Enforcement Priority of Payments**" means the order of priority pursuant to which the Guarantor Available Funds shall be applied on each Guarantor Payment Date, following the delivery of a Guarantor Default Notice, in accordance with the Intercreditor Agreement.

"**Post-Issuer Default Test Calculation Agent**" means Securitisation Services S.p.A..

"**Post-Issuer Default Test Performance Report**" means, on each Test Calculation Date and Quarterly Test Calculation Date during the period after the service of a Guarantee Enforcement Notice, the relevant report prepared by the Post-Issuer Default Test Calculation Agent setting out the calculations carried out by it with respect of the relevant Tests and specifying whether any of such Tests was not met.

"**Pre-Issuer Default Test Calculation Agent**" means BMPS.

"**Pre-Issuer Default Interest Priority of Payments**" means the order of priority pursuant to which the Interest Available Funds shall be applied on each Guarantor Payment Date, prior to the delivery of a Guarantee Enforcement Notice, in accordance with the Intercreditor Agreement.

"**Pre-Issuer Default Principal Priority of Payments**" means the order of priority pursuant to which the Principal Available Funds shall be applied on each Guarantor Payment Date, prior to the delivery of a Guarantee Enforcement Notice, in accordance with the Intercreditor Agreement.

"**Pre-Issuer Default Test Performance Report**" means, on each Test Calculation Date and Quarterly Test Calculation Date prior to the service of a Guarantee Enforcement Notice, the relevant report prepared by the Post-Issuer Default Test Calculation Agent setting out the calculations carried out by it with respect of the relevant Tests and specifying whether any of such Tests was not met.

"**Premium**" means, on each Guarantor Payment Date, an amount payable by the Guarantor on each Programme Term Loan in accordance with the relevant Priority of Payments and equal to the Guarantor Available Funds as at such date, after all amounts payable in priority thereto have been made in accordance with the relevant Priority of Payments.

"**Principal Amount Outstanding**" means, on any day: (a) in relation to a Covered Bond, the principal amount of that Covered Bond upon issue less the aggregate amount of any principal payments in respect of that Covered Bond which have become due and payable (and been paid) on or prior to that day; and (b) in relation to the Covered Bonds outstanding at any time, the aggregate of the amount in (a) in respect of all Covered Bonds outstanding.

"**Principal Available Funds**" means in respect of any Guarantor Payment Date, the aggregate of:

(i) all principal amounts collected by the Servicer in respect of the Cover Pool and credited to the Main Programme Account of the Guarantor during the immediately preceding Collection Period;

(ii) all other recoveries in respect of principal received by the Principal Servicer (and any Additional Seller, if any) and credited to the Main Programme Account of the Guarantor during the immediately preceding Collection Period;

(iii) all principal amounts received by the Guarantor from the Seller pursuant to the Master Assets Purchase Agreement during the immediately preceding Collection Period;

(iv) the proceeds of any disposal of Assets and any disinvestment of Assets or Eligible Investments;

(v) any amounts granted by the Seller under the Subordinated Loan Agreement and not used to fund the payment of the Purchase Price for any Eligible Assets and/or Top-Up Asset;

(vi) all amounts in respect of principal (if any) received under any Swap Agreements other than any Swap Collateral Excluded Amounts;

(vii) any amounts paid out of item *Ninth* of the Pre-Issuer Default Interest Priority of Payments; and

(viii) any principal amounts standing to the credit of the Programme Accounts.

"**Principal Balance**" means

(i) for any Mortgage Loan as at any given date, the aggregate of: (a) the original principal amount advanced to the relevant Debtor and any further amount advanced on or before the given date to the relevant Debtor secured or intended to be secured by the related Security Interest; and (b) any interest, disbursement, legal expense, fee, charge, rent, service charge, premium or payment which has been properly capitalised in accordance with the relevant Mortgage Loan or with the relevant Debtor's consent and added to the amounts secured or intended to be secured by that Mortgage Loan; and (c) any other amount (including, for the avoidance of doubt, Accrued Interest and interest in arrears) which is due or accrued (whether or not due) and which has not been paid by the relevant Debtor and has not been capitalised, as at the end of the Business Day immediately preceding that given date less any repayment or payment of any of the foregoing made on or before the end of the Business Day immediately preceding that given date;

(ii) for any Asset Backed Security as at any given date, the principal amount outstanding of that Asset Backed Security (plus any accrued but unpaid interest thereon).

"**Principal Instalment**" means the principal component of each Instalment.

"**Principal Financial Centre**" means, in relation to any currency, the principal financial centre for that currency *provided, however,* that in relation to Euro, it means the principal financial centre of such Member State of the European Communities as is selected (in the case of a payment) by the payee.

"**Principal Paying Agent**" means The Bank of New York Mellon (Luxembourg) S.A., Italian Branch in its capacity as Paying Agent pursuant to the Cash Allocation, Management and Payments Agreement or any other entity acting in such capacity pursuant to the Cash Allocation, Management and Payments Agreement.

"**Principal Seller**" means BMPS.

"**Principal Servicer**" means BMPS.

"**Principal Subordinated Lender**" means BMPS in its capacity as Subordinated Lender pursuant to the relevant Subordinated Loan Agreement.

"**Priority of Payments**" means each of the orders in which the Guarantor Available Funds shall be applied on each Guarantor Payment Date in accordance with the Intercreditor Agreement.

"**Privacy Law**" means Italia Law number 675 of 1996, as subsequently amended and supplemented.

"**Programme**" means the programme for the issuance of each series of Covered Bonds (*Obbligazioni Bancarie Garantite*) by the Issuer in accordance with article 7-*bis* of Law 130.

"**Programme Accounts**" means, collectively, the Italian Accounts and the English Accounts and any other account opened from time to time in connection with the Programme.

"**Programme Agreement**" means the programme agreement entered on 18 June 2010 between, *inter alios*, the Guarantor, the Principal Seller, the Issuer, the Representative of the Bondholders and the Dealers, as amended from time to time.

"**Programme Documents**" means the Master Assets Purchase Agreement, the Master Servicing Agreement, the Warranty and Indemnity Agreement, the Cash Allocation, Management and Payments Agreement, the Cover Pool Management Agreement, the Programme Agreement, the Intercreditor Agreement, each Subordinated Loan Agreement, the Asset Monitor Agreement, the Guarantee, the Corporate Services Agreement, the Swap Agreements, the Mandate Agreement, the English Account Bank Agreement, the Quotaholders' Agreement, the Prospectus, the Terms and Conditions, the Deed of Pledge, the Master Definitions Agreement, any Final Term agreed in the context of the issuance of each Series or Tranche of Covered Bonds and any other agreement entered into in connection with the Programme.

"**Programme Limit**" means €10,000,000,000.

"**Programme Term Loan**" means any Term Loan granted under the Subordinated Loan Agreement in respect of which the Base Interest applies pursuant to terms of the relevant Subordinated Loan Agreement.

"**Prospectus**" means the base prospectus prepared in the context of the issuance of the Covered Bonds.

"**Prospectus Directive**" means Directive 2003/71/EC of 4 November 2003, as subsequently amended and supplemented.

"**Prudential Regulations**" means the prudential regulations for banks issued by the Bank of Italy on 27 December 2006 with Circular No. 263, as subsequently amended and supplemented.

"**Public Entity Receivables**" means, pursuant to article 2, sub-paragraph 1, of Decree No. 310, any receivables owned by or receivables which have been benefit of a guarantee eligible for credit risk mitigation granted by public entities.

"**Public Entity Securities**" means pursuant to article 2, sub-paragraph 1, of Decree No. 310, any securities issued by or which have benefit of a guarantee eligible for credit risk mitigation granted by public entities.

"**Purchase Price**" means, as applicable, the consideration for the Initial Portfolio Purchase Price or the consideration for the New Portfolio Purchase Price pursuant to the Master Assets Purchase Agreement.

"**Put Option**" has the meaning given in the relevant Final Terms.

"**Put Option Notice**" means a notice in the form obtainable from the Principal Paying Agent which must be delivered to the Principal Paying Agent by any Bondholder wanting to exercise a right to redeem Covered Bonds at the option of the Bondholders.

"**Put Option Receipt**" means a receipt issued by the Principal Paying Agent to a Bondholder having deposited a Put Option Notice.

"**Quarterly Collection Period**" means (a) prior to the service of a Guarantor Default Notice, each period commencing on (and including) the Collection Dates in December, March, June and September and ending on (but excluding), respectively, the Collection Dates in March, June, September and December; (b) following the service of a Guarantor Default Notice, each period commencing on (and including) the last day of the preceding Quarterly Collection Period and ending on (but excluding) the date falling 10 calendar days prior to the next following quarterly Collection Date.

"**Quarterly Servicer's Report**" with reference to the Principal Servicer the quarterly report prepared by the Principal Servicer and with reference to any Additional Servicer, the quarterly report prepared by any Additional Servicer pursuant to the Master Servicing Agreement.

"**Quarterly Servicer's Report Date**" means (a) prior to the delivery of a Guarantor Default Notice, the Monthly Servicer's Report Date falling in March, June, September and December of each year or, if such day is not a Business Day, the immediately preceding Business Day; and (b) following the delivery of a Guarantor Default Notice, such date as may be indicated by the Representative of the Bondholders.

"**Quarterly Test Calculation Date**" means the Test Calculation Date falling in March, June, September and December, of each year or, if such day is not a Business Day, the immediately preceding Business Day.

"**Quota Capital**" means the quota capital of the Guarantor.

"**Quota Capital Account**" means the account denominated in Euro opened in the name of the Guarantor with Banca Antonveneta, Conegliano, Agenzia 1, IBAN IT 32 I 05040 61621 000001228269 for the deposit of the Quota Capital.

"**Quotaholder**" means BMPS and any other quotaholder of the Guarantor.

"**Quotaholders' Agreement**" means the Quotaholders' agreement entered on 18 June 2010 between, *inter alios*, the Guarantor and the Quotaholders.

"**Rate of Exchange**" has the meaning set out in the relevant Final Terms.

"**Rate of Interest**" means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Series or Tranche of Covered Bonds specified in the relevant Final Terms or calculated or determined in accordance with the provisions of these Conditions and/or the relevant Final Terms.

"**Rating Agencies**" means Fitch, Moody's and DBRS.

"**Real Estate Asset**s" means the real estate properties which have been mortgaged in order to secure the Receivables.

"**Receivables**" means specifically each and every right arising under the Mortgage Loans pursuant to the law and the Mortgage Loan Agreements, including but not limited to:

(i) all rights and claims in respect of the repayment of the Principal Instalments due and not paid at the Valuation Date (excluded);

(ii) all rights and claims in respect of the payment of interest (including the default interest) accruing on the Mortgage Loans, which are due from (but excluding) the Valuation Date;

(iii) the Accrued Interest;

(iv) all rights and claims in respect of each Mortgage and any Collateral Security relating to the relevant Mortgage Loan Agreement;

(v) all rights and claims under and in respect of the Insurance Policies; and

(vi) any privileges and priority rights (*diritti di prelazione*) transferable pursuant to the law, as well as any other right, claim or action (including any legal proceeding for the recovery of suffered damages, the remedy of termination (*risoluzione per inadempimento*) and the declaration of acceleration of the debt (*decadenza dal beneficio del termine*) with respect to the Debtors) and any substantial and procedural action and defence, including the remedy of termination (*risoluzione per inadempimento*) and the declaration of acceleration of the debt (*decadenza dal beneficio del termine*) with respect to the Debtors, inherent in or ancillary to the aforesaid rights and claims;

excluding any expenses for the correspondence and any expenses connected to the ancillary services requested by the relevant Debtor.

"**Recoveries**" means any amounts received or recovered by the Servicer in relation to any Defaulted Receivables and any Delinquent Receivables.

"**Redemption Amount**" means, as appropriate, the Final Redemption Amount, the Early Redemption Amount (Tax), the Optional Redemption Amount (Call), the Optional Redemption Amount (Put), the Early Termination Amount (as any such terms are defined in the Conditions) or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the provisions of, the relevant Final Terms.

"**Reference Banks**" (A) with respect to the Covered Bonds, has the meaning ascribed to it in the relevant Final Terms or, if none, four major banks selected by the Principal Paying Agent in the market that is most closely connected with the Reference Rate; and, (B) with respect to

the Subordinated Loan Agreement, means four financial institutions of the greatest importance, acting on the interbank market of the member states of the EEA, as selected by the Principal Subordinated Lender and communicated to the Guarantor Calculation Agent.

"**Reference Price**" has the meaning given in the relevant Final Terms.

"**Reference Rate**" has the meaning ascribed to it in the relevant Final Terms.

"**Regular Period**" means:

(i) in the case of Covered Bonds where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;

(ii) in the case of Covered Bonds where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "Regular Date" means the day and month (but not the year) on which any Interest Payment Date falls; and

(iii) in the case of Covered Bonds where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "Regular Date" means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period.

"**Relevant Clearing System**" means Euroclear and/or Clearstream, Luxembourg and/or any other clearing system (other than Monte Titoli) specified in the relevant Final Terms as a clearing system through which payments under the Covered Bonds may be made.

"**Relevant Financial Centre**" has the meaning given in the relevant Final Terms.

"**Relevant Screen Page**" means the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in the relevant Final Terms, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate.

"**Relevant Time**" has the meaning given in the relevant Final Terms.

"**Representative of the Bondholders**" means BNY Mellon Corporate Trustee Services Limited or any other entity acting in such capacity pursuant to the Programme Documents.

"**Required Redemption Amount**" means (i) to the extent that no Series of Covered Bonds have become Pass Through Series, the Euro Equivalent of the Principal Amount Outstanding in respect of the Earliest Maturing Covered Bonds, multiplied by (1 + Negative Carry Factor x (days to maturity of the relevant Series or Tranche of Covered Bonds/365)) and thereafter (ii) zero.

"**Required Reserve Amount**" means the aggregate of the amounts calculated by the Guarantor Calculation Agent on each Guarantor Calculation Date, in accordance with the following formula:

A plus B, if BMPS is the Covered Bond Swap Provider under the relevant Covered Bond Swap Agreement, or if no Covered Bond Swap Agreement has been entered into with respect to the relevant Series of Covered Bonds; and

A plus C, if BMPS is not the Covered Bond Swap Provider under the relevant Covered Bond Swap Agreement, where

"**A**" is the sum of all the amounts to be paid by the Guarantor on the next following Guarantor Payment Date (i) under item First of the Pre-Issuer Default Interest Priority of Payments and (ii) as compensation for the activity of any of the Principal Servicer or the Additional Servicer under the terms of the Master Servicing Agreement."

"**B**" is the aggregate amount of all interest payable with respect of each Series of Covered Bonds during the six months period following the relevant Guarantor Calculation Date; and

"**C**" the sum of the Floating Amount (as defined in the Swap Agreement related to the relevant Series of Covered Bond) due by the Guarantor during the six months period following the relevant Guarantor Calculation Date.

"**Reserve Account**" means the account denominated in Euro opened in the name of the Guarantor and held by the English Account Bank, number 50456001 (IBAN: GB85 PASC 4051 6850 4560 01) or any other substitutive account which may be opened pursuant to the English Account Bank Agreement.

"**Reserve Amount**" means the funds standing to the credit of the Reserve Account from time to time.

"**Residential Mortgage Loan**" means, pursuant to article 2, sub-paragraph 1, of Decree No. 310, a residential mortgage loan in respect of which the relevant amount outstanding added to the principal amount outstanding of any higher ranking mortgage loans secured by the same property, does not exceed 80 per cent of the value of the property.

"**Residential Real Estate Assets**" means the Real Estate Assets relating to Residential Mortgage Loans.

"**Retention Amount**" means an amount equal to €50,000.00.

"**Rules of the Organisation of the Bondholders**" means the rules of the organisation of the Bondholders attached as Exhibit 1 to the Terms and Conditions, as from time to time modified in accordance with the provisions therein contained and including any agreement or other document expressed to be supplemental thereto.

"**Screen Rate Determination**" has the meaning given in the relevant Final Terms.

"**Securities Ac**t" means the U.S. Securities Act of 1933, as amended.

"**Security**" means the security created pursuant to the Deed of Pledge.

"**Security Interest**" means

(i) any mortgage, charge, pledge, lien or other encumbrance securing any obligation of any person;

(ii) any arrangement under which money or claims to money, or the benefit of, a bank or other account may be applied, set off or made subject to a combination of accounts so as to effect discharge of any sum owed or payable to any person; or

(iii) any other type of preferential arrangement (including any title transfer and retention arrangement) having a similar effect.

"**Segregation Event**" has the meaning given to the definition "Segregation Event" pursuant to the Terms and Conditions.

"**Selected Assets**" means the Eligible Assets and Top-Up Assets from time to time sold by the Guarantor in accordance with the provisions of the Cover Pool Management Agreement.

"**Seller**" means the Principal Seller pursuant to the Master Assets Purchase Agreement and each Additional Seller (if any).

"**Series**" or "**Series of Covered Bonds**" means each series of Covered Bonds issued in the context of the Programme.

"**Servicer**" means any of BMPS in its capacity as Principal Servicer pursuant to the Master Servicing Agreement and any Additional Servicer pursuant to the terms and conditions provided therein.

"**Servicer's Report Date**" means any of the Monthly Servicer's Report Date or any of the Quarterly Servicer's Report Date.

"**Servicer's Reports**" means any of the Monthly Servicer's Report and the Quarterly Servicer's Report.

"**Servicer Termination Event**" means any event as indicated in clause 11.1 of the Master Servicing Agreement.

"**Specific Criteria**" means the specific criteria specified in schedule 1 to the Master Assets Purchase Agreement.

"**Specified Currency**" means the currency as may be agreed from time to time by the Issuer, the relevant Dealer(s), the Principal Paying Agent and the Representative of the Bondholders (as set out in the applicable Final Terms).

"**Specified Denomination**" has the meaning given in the relevant Final Terms.

"**Specified Office(s)**" means, in relation to any Paying Agent, the office currently specified in the Cash Management Payments and Allocation Agreement or as further specified by notice to the Issuer and the other parties to the Cash Management Payments and Allocation Agreement in the manner provided therein or in the relevant Final Terms, as the case may be.

"**Specified Period**" has the meaning set out in the relevant Final Terms.

"**Stock Exchange**" means the regulated market of the Luxembourg Stock Exchange (*Bourse de Luxembourg*).

"**Subordinated Lender**" means any of the Principal Subordinated Lender and any Additional Subordinated Lender(s), if any.

"**Subordinated Loan Agreement**" means each subordinated loan agreement entered between a Subordinated Lender and the Guarantor, as amended from time to time.

"**Subordinated Loan Availability Period**" means the period starting from the date of execution of the Subordinated Loan Agreement (or, in respect of any Additional Seller, the relevant Subordinated Loan Agreement) and ending on the date on which all the Covered Bonds issued in the context of the Programme have been cancelled or redeemed in full pursuant to the relevant Final Terms, in which the Subordinated Lender has the right to grant to the Guarantor, on each Drawdown Date, a Term Loan.

"**Subscription Agreement**" means any subscription agreement entered on or about the Issue Date of each Series or Tranche of Covered Bonds between, *inter alios*, each Dealer and the Guarantor

"**Substitute Servicer**" means the substitute of the Servicer which will take over the servicing activities in the event of a Servicer Termination Event pursuant to clause 12 of the Master Servicing Agreement.

"**Swap Agreements**" means, collectively, the Covered Bond Swap Agreement(s), the Asset Swap Agreement and any other swap agreement which may be entered into by the Guarantor in the context of the Programme.

"**Swap Collateral Excluded Amounts**" means at any time, the amounts of Swap Collateral which may not be applied under the terms of the relevant Swap Agreement at that time in satisfaction of the relevant Swap Provider's obligations to the Guarantor or, as the case may be, the Issuer including Swap Collateral which is to be returned to the relevant Swap Provider from time to time in accordance with the terms of the Swap Agreements and ultimately upon termination of the relevant Swap Agreement.

"**Swap Providers**" means, as applicable, the Asset Swap Provider(s), the Covered Bond Swap Providers and any other entity which may act as swap counterparty to the Guarantor by entering into a Swap Agreement.

"**TARGET2**" means the Trans-European Automated Real-time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007.

"**TARGET Settlement Day**" means any day on which the TARGET2 is open for the settlement of payments in Euro.

"**Tax**" means any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the Republic of Italy or any political sub-division thereof or any authority thereof or therein.

"**Term Loan**" means any term loan in the form of a Programme Term Loan or Fixed Interest Term Loan or Floating Interest Term Loan, made or to be made available to the Guarantor on

each Drawdown Date under the Subordinated Loan Agreement or the principal amount outstanding for the time being of that loan.

"**Term Loan Proposal**" means an "*Offerta di Finanziamento Subordinato*" as such term is defined in the relevant Subordinated Loan Agreement.

"**Terms and Conditions**" means the Terms and Conditions of the Covered Bonds.

"**Test Calculation Agent**" means any of the Pre-Issuer Default Test Calculation Agent and the Post-Issuer Default Test Calculation Agent.

"**Test Calculation Date**" means the date on which the calculation of the Tests are performed, being a date falling on or before the Test Performance Report Date, provided that following the delivery of a Guarantee Enforcement Notice the first Test Calculation Date will fall 7 Business Days after the delivery of such Guarantee Enforcement Notice.

"**Test Grace Period**" means the period starting on the date on which the breach of any of the Mandatory Tests or of the Asset Coverage Test is notified by the Pre-Issuer Default Test Calculation Agent and ending on the immediately following Test Performance Report Date.

"**Test Performance Report**" means, respectively (i) the Pre-Issuer Default Test Performance Report to be issued by the Pre-Issuer Default Test Calculation Agent and (ii) the Post-Issuer Default Test Performance Report to be issued by the Post-Issuer Default Test Calculation Agent, each setting out the calculations carried out by it with respect to the relevant Tests.

"**Test Performance Report Date**" means the date falling the 22nd calendar day of each month.

"**Test Remedy Period**" means the period starting from the date on which a Breach of Test Notice is delivered and ending on the Test Performance Report Date falling 5 months thereafter.

"**Tests**" means, as appropriate, the Mandatory Tests, the Asset Coverage Test, the Amortisation Test.

"**Top-Up Assets**" means, in accordance with article 2, sub-paragraph 3.2 and 3.3 of Decree No. 310, each of the following assets:

(i) deposits held with banks which have their registered office in the European Economic Area or Switzerland or in a country for which a 0% risk weight is applicable in accordance with the Bank of Italy's Prudential Regulations for banks - standardised approach; and

(ii) securities issued by the banks indicated in item (i) above, which have a residual maturity not exceeding one year.

"**Total Commitment**" means, in respect of each Subordinated Lender, the commitment specified in the relevant Subordinated Loan Agreement.

"**Tranche**" or "**Tranches of Covered Bonds**" means each tranche of Covered Bonds which may be comprised in a Series of Covered Bonds.

"**Transfer Proposal**" means, in respect to each New Portfolio, the transfer proposal which will be sent by the relevant Seller and addressed to the Guarantor substantially in the form set out in schedule 7 to the Master Assets Purchase Agreement.

"**Treaty**" means the treaty establishing the European Community.

"**Usury Law**" means Italian Law number 108 of 7 March 1996, together with Decree number 349 of 29 December 2000 as converted into Law number 24 of 28 February 2001.

"**Valuation Date**" means, with respect to the Initial Portfolio, the 21 of May 2010 and with respect to any New Portfolios, the date that will be established jointly by the Principal Seller or any Additional Seller and the Guarantor.

"**Warranty and Indemnity Agreement**" means the warranty and indemnity agreement entered on 25 May 2010 between the Principal Seller and the Guarantor.

"**Zero Coupon Provisions**" has the meaning set out in Condition 7 (*Zero Coupon Provisions*).

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