



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*). 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.

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



DEALERS

Morgan Stanley



The date of this Prospectus is 22 July 2015.

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 document, 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 Conditions 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 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 Base 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.

On 24 March 2014, the Council of the European Union formally adopted a Council Directive amending the EU Savings Directive (the "**Amending Directive**") thus broadening the scope of the requirements described above. Member States are required to implement national legislation giving effect to these changes by 1 January 2016. That domestic legislation must be applied from 1 January 2017. The changes made under the Amending Directive include extending the scope of the EU Savings Tax Directive to payments made to, or collected for, certain other entities and legal arrangements. They also broaden the definition of "interest payment" to cover income that is equivalent to interest.

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.

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

Implementation in Italy of the EU Savings Directive

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.

U.S. Foreign Account Tax Compliance Withholding

The Foreign Account Tax Compliance provisions of the Hiring Incentives to Restore Employment Act of 2010 ("**FATCA**") impose a withholding tax of 30 per cent. with respect to certain payments made after 31 December 2016 by entities that are classified as financial institutions under FATCA.

The United States has entered into an intergovernmental agreement regarding the implementation of FATCA with Italy (the "**Italy IGA**"). Under the Italy IGA, as currently drafted, the Issuer does not expect payments made on or with respect to the Covered Bonds to be subject to withholding under FATCA. However, significant aspects of when and how FATCA will apply remain unclear, and no assurance can be given that withholding under

FATCA will not become relevant with respect to payments made on or with respect to the Covered Bonds in the future.

The application of FATCA to interest, principal or other amounts paid with respect to the Covered Bonds is not clear. If an amount in respect of U.S. withholding tax were to be deducted or withheld from interest, principal or other payments on the Covered Bonds as a result of FATCA, none of the Issuer, any paying agent or any other person would, pursuant to the Conditions of the Covered Bonds be required to pay additional amounts as a result of the deduction or withholding of such tax. As a result, investors may, if FATCA withholding applies to payments on the Covered Bonds, receive less interest or principal than expected.

Prospective investors should consult their own tax advisors regarding the potential impact of FATCA.

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 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.

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**");
- 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 –Aspects of Italian Law relevant to Mortgage Loans*". 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 of the 2013-2017 Business Plan and the failure in the implementation of the initiatives of capitalization of the Bank.

On 7 October 2013, Banca Monte dei Paschi di Siena (the "**Bank**") has given notice that the Board of Directors of the Bank approved the Restructuring Plan. The Restructuring Plan has been submitted to the Ministry of Economy and Finance for subsequent submission to the European Commission which approved such Restructuring Plan on 27 November 2013.

On 28 November 2013, the Board of Directors of the Bank approved the 2013-2017 Business Plan to implement the strategic and operational priorities of the Restructuring Plan approved by Banca Monte dei Paschi di Siena on 7 October 2013. For more information on the Restructuring Plan, please refer to the description of "Banca Monte dei Paschi di Siena S.p.A.", Section 5 (*Strategy*) below and to the press release published by BMPS on 28 November 2013 on the website www.mps.it.

In accordance with the objectives of the Restructuring Plan and of the Business Plan, on 27 June 2014 the Bank carried out a share capital increase of €4,999,698,478.00 and on 1 July 2014, based on the results of the subscription period of the rights issue and the discussions with the Ministry of Economy and Finance, BMPS redeemed 3 billion of New Financial Instrument and the New Financial Instruments relating to interest accrued for the financial year 2013 and issued at the same time for a total consideration of €3,455,620,000.00 which includes the effects of the terms and conditions of the New Financial Instruments due to the sale of shares performed by Fondazione Monte dei Paschi di Siena. For further details concerning the share capital increase and the partial repaying in cash of New Financial Instruments please see the press releases published by the Issuer on 4 July 2014 and 30 June 2014 and available on the Issuer's website www.mps.it

BMPS's ability to carry out the actions and/or achieve the objectives contemplated by the Restructuring Plan and the 2013-2017 Business Plan depends upon a number of circumstances, some of which are beyond the BMPS's control and others of which BMPS may only partially influence. Such circumstances may not be realized, or they may come about only in part, or in a different form, or they may change over the course of the plan, as in particular worsening in the macroeconomic environment not in line with those assumed in the context of the Restructuring Plan.

In the event that BMPS does not achieve the objectives set out in the Restructuring Plan or fails to honour, whether in whole or in part, the commitments undertaken in connection with the Restructuring Plan's approval, the Bank might be obliged to (i) request amendments to the Restructuring Plan, in connection with which the European Commission could impose additional, more onerous conditions, as a result of the entry into force of measures that permit less favourable conditions than those applied in the Restructuring Plan or (ii) submit a new restructuring plan to the regulatory authorities. That new plan could include, inter alia, a change of management, new remuneration and dividend distribution policies, additional issuance of capital instruments with possibly significant dilutive effects for existing shareholders, the imposition of measures for the allocation of restructuring charges among the shareholders and/or holders of subordinated debt, additional restrictions upon our ability to make acquisitions, additional commitments regarding the sale of equity investments or

other assets or the assumption of obligations to transfer assets to a special purpose vehicle. Further, the European Commission could also revoke its approval of the Restructuring Plan and require reimbursement of aid received (or require repayment of the New Financial Instruments).

Should such circumstances arise, they could have a negative impact on BMPS's reputation, as well as a material adverse effect on BMPS's and/or the Group's business, financial condition, results of operations and cash flows. In addition, one or more of the relevant ratings agencies may downgrade the Group's ratings, with a consequent increase in its funding costs. The Group can provide no guarantee that it will successfully implement the Restructuring Plan, or achieve the objectives set out therein. Any inability on the part of the Group to implement the Restructuring Plan, in whole or in part, or to comply with the regulatory requirements applicable at any given time, could individually or in combination have a material adverse effect upon BMPS's and/or the Group's business, financial condition, results of operations and cash flows.

On 26 October 2014, the results of the Comprehensive Assessment were published and on 5 November 2014 the Board of Directors approved a Capital Plan subject to the approval of the competent Authorities aimed at covering the capital shortfall of Euro 2.1 billion, identified by the Comprehensive Assessment in connection with the impact of the adverse scenario of the Stress Test.

With regard to the actions set forth in the Capital Plan, for which reference is made to the press release published by the Issuer and available on the Issuer's website, it is not possible to exclude any uncertainties or risks arising from the modality and timing of execution of the Capital Plan following the requests that in case could come from the ECB or to the necessity to review the Restructuring Plan approved by the European Commission in 2013. Therefore, it is not possible to exclude that the Bank will be not in the position to implement all the measures set out in the Capital Plan, with a potential risk of future losses and decrease of value of the Bank's assets.

Investors are invited to consult the information related to the implementation of the Restructuring Plan and Capital Plan that, in accordance with the applicable law, could be published on the institutional web site of the Bank (www.mps.it).

Risks related to structured term repo transactions

In prior years, the Bank has entered into asset swap transactions involving Italian government bonds, term-structured repo transactions and interest rate swaps. Two such transactions were those referred to as Alexandria, entered into with Nomura, which involved Italian government bonds of €3.05 billion nominal amount and Santorini, entered into with Deutsche Bank AG, which involved three separate total return swap transactions of €2 billion in aggregate nominal amount of Italian government bonds.

These types of transactions include, *inter alia*, obligations of so-called collateralization, or margin-setting, on a daily basis. The parties must therefore pay guarantee margins to ensure the liquidity of transactions in case of early termination for non-fulfillment by the other party. At 30 April, 2015, the total collateral attributable to the Alexandria transaction (inclusive of the asset swap) and paid by BMPS equaled €2,449 million, inclusive of the collateral paid in respect of the repo facility of €916 million. On the same date, €1,967 million was drawn under a repo facility.

The most significant risk to which the Bank is exposed as a result of the Alexandria transaction (and, in the past, by the Santorini transaction) is the credit risk of the Republic of Italy. Indeed, having entered into asset swaps to hedge interest rate risk, the position's sensitivity to interest rates is lower than its sensitivity to the creditworthiness of the Republic of Italy. A change in Italy's credit spread thus results in a change to the AFS Reserve, with consequences reflected in our statement of comprehensive income. The Bank is also exposed to counterparty risk, albeit mitigated by the daily cash collateralization and margin requirements of both transactions. As a result of its own estimated margin requirements as at the date of this Prospectus, in respect of Alexandria, the Bank could be required to make significant cash expenditures, which could create additional liquidity stress for the Bank, with a material adverse effect upon the Bank's and/or the Group's business, financial condition, results of operations and cash flows.

As at December 31, 2014, the Bank had exceeded the regulatory limit of 25% of regulatory capital (both on a consolidated basis and with respect to the Bank on an unconsolidated basis) with respect to Nomura. Exposure to Nomura as at December 31, 2014 was 34.68% on a consolidated basis and 35.55% with respect to the Bank on an unconsolidated basis. In its letter to the Bank dated February 10, 2015 following conclusion of the SREP, the ECB required that the Bank reduce this exposure to within regulatory limits by July 26, 2015. Such a reduction may be effected by a variety of means, including the unwinding, in full or in part, of the transaction.

Unwinding the Alexandria transaction would lead to a significant negative impact on the Bank's income statement, principally as a result of the evolution of the market benchmarks underlying the transaction (which it would entail a reversal of the AFS reserve on the date the transaction is closed), in addition to the costs the Bank would incur for closing out the transaction. While the Bank has formally contested the ECB's calculations and believes the exposures are within regulatory limits, it has nonetheless begun to evaluate measures to reduce this exposure and preliminary contacts have been made between the parties to the transaction to ascertain the steps necessary to agree a settlement and close the transaction. Should the ECB not change its current position, and the Bank's measures to reduce exposure are insufficient or if it is unsuccessful, it could face sanctions or limitations on its operations imposed by the ECB, with possible adverse effects on its business, financial position or results of operations.

In addition, the Bank faces risks relating to its accounting treatment of these term-structured repo transactions. The Bank, having conducted appropriate analysis together with its accountants, recorded both the Santorini and Alexandria transactions in its balance sheet based on their individual contractual components, given their terms and their economic purpose. The Bank concluded that the criteria to present these transactions in its accounts as credit default swaps were not present. The Bank's classification of these transactions as long-term structured repo contracts, along with the additional information relating to such transactions provided in the Bank's accounts, have been analyzed by the Bank of Italy, CONSOB and IVASS, as indicated in their joint letter of March 8, 2013. In compliance with that joint letter, and taking into account the significant value of these transactions, the Bank included a detailed presentation of the impact that reclassifying the transactions as synthetic derivatives would have had on its accounts in pro forma accounting information in its Historical Financial Information for the year ended December 31, 2012.

Moreover, following a specific request from CONSOB on April 18, 2014 pursuant to Article 114(5) of the Consolidated Finance Act, in clarification of the information set out in the non-

consolidated and consolidated financial statements as at and for the year ended December 31, 2013, the Bank provided further information in relation to the outcome of the meeting of the IFRS Interpretations Committee (“IFRIC”) on March 25, 2014, which had discussed, inter alia, an issue around the accounting treatment of term-structured repo transactions (as to whether the effects of individual contracts should be represented separately, or in combination, as a derivative contract). The conclusions that IFRIC reached were summarized in IAS 39 Financial Instruments: Recognition and Measurement—accounting for term-structured repo transactions, contained in IFRIC Update March 2014. In short, IFRIC decided not to include this item on its agenda, because, under current IFRS, there was no need for either an interpretation or any change to the existing standards.

In reaching that decision, IFRIC stressed that, in order to determine whether the entity had to account for the transactions separately or whether they could be treated as a single transaction, reference should be made to paragraphs B.6 and C.6 of the *Guidance on Implementing IAS 39*, and to paragraph AG 39 of IAS 32.

Regarding the application of B.6, *Part A—Accounting Policies* in the notes to the 2013 Audited Consolidated Financial Statements described the detailed analyses that had been made in order to establish whether, in compliance with the principle that substance should prevail over form and in light of the indicators set out in paragraph B.6 of the *Guidance on Implementing IAS 39*, the transaction was, in substance, a derivative, and more particularly, a credit default swap. Based on such analyses, the Board of Directors approved the separate presentation of the individual contractual components. These conclusions reflect the assessment reached of the contractual agreements as a whole, with particular consideration of the underlying purposes, the associated cash flows and risks, the legal characteristics and the substantive effects of the transactions.

The accounting treatment of the Alexandria transaction with Nomura, and of the Santorini transaction with Deutsche Bank AG (the latter having been terminated in a settlement in December 2013), has also been considered in light of the further information contained in paragraph C.6 of *Guidance on Implementing IAS 39* from IFRIC, and paragraph AG 39 of IAS 32. Having considered the contractual agreements and the links that exist between some of the contractual provisions, and also the fact that each of the financial instruments comprising the Alexandria transaction with Nomura, and the Santorini transaction with Deutsche Bank AG, has its own terms and conditions and may be transferred and settled separately, paragraph C.6 of the *Guidance on Implementing IAS 39* also supports the separate accounting presentation adopted by the Bank. Paragraph AG 39 of IAS 32, part of the Application Guidance for IAS 32 regarding the offsetting of financial assets and financial liabilities in the balance sheet also allows one to draw some general principles that offer further support for having the individual transactions accounted for separately, in accordance with the Bank’s own approach.

The accounting presentation that BMPS has adopted is also supported by the analysis made in paragraph C.6 of the *Guidance on Implementing IAS 39* and paragraph AG 39 of IAS 32, referenced in the *IFRIC Update—From the IFRS Interpretations Committee—March 2014*. However, there can be no assurance that applicable guidance or requirements concerning acceptable accounting treatment will not change in the future.

In relation to a specific request from CONSOB received on December 10, 2013, pursuant to Article 114(5) of the Consolidated Law of Financial Intermediation, the Bank began to include in its published financial statements, starting with its 2013 Audited Consolidated

Financial Statements, an alternative presentation showing the effects upon the income statement, shareholders' equity, and overall profit of the adjustments and reclassifications that would result from the presentation of major term-structured repo transactions as synthetic derivatives, including the impact upon the income statement and the balance sheet that would have been recognized following the settlement reached with Deutsche Bank AG of the Santorini transaction in December 2013, had that transaction been presented as a synthetic derivative.

In presenting pro forma accounting information treating the Santorini and Alexandria transactions as synthetic derivatives, the purchase of the notes and the financing under long-term repo contracts were presented and measured as credit default swaps under which protection was sold against the risk of default by the Republic of Italy, the issuer of the underlying securities. Similarly, the difference between the securities' fixed coupons and the floating rate paid on the financing repo contracts is presented as a premium collected on the sale of the protection.

In particular, a query was put to IFRIC with the aim of clarifying the following:

- (i) whether three transactions (acquiring a debt security, entering into an interest rate swap to hedge interest rate risk related to the security acquired and, contemporaneously with the acquisition, entering into a repurchase agreement in relation to the security, with a maturity equal to that of the security) must be accounted for separately, or rather together, as a single derivative instrument; and
- (ii) the correct application of the requirements contained in paragraph B.6 of IAS 39 Interpretive Guidance.

Notwithstanding the query, IFRIC did not address this topic during the meeting, maintaining that further interpretive guidance was not necessary. IFRIC's unwillingness was also based on the fact that the query did not include the economic rationale for the transaction, as well as IFRIC's belief that providing guidance in respect of a specific transaction would not be appropriate. IFRIC also stressed that the application of the guidance referred to in the query required an evaluation by the entity preparing the balance sheet and that the presence or absence of any single item contained in the guidance was not dispositive of the required accounting treatment.

The presentation of the two transactions as synthetic derivatives would have significantly different effects upon the income statement, because of the changes to the fair value of the credit default swaps, and the reclassification of the interest rate swap to the trading account. However, the impact upon shareholders' equity would be substantially mitigated by the elimination of the negative effects upon the AFS Reserves of not having the various components netted off in the accounts.

Presenting the two transactions as credit default swaps would, as a result of the changes to the accounting treatment of the individual components, result in a change to the perimeters of the trading book and the banking book and, consequently, would affect the individual books' VaR in a manner such that they would substantially offset one another. It follows that treating these transactions as credit default swaps would not result in changes to the Group's overall VaR.

For the three months ended March 31, 2015, the presentation of Alexandria as a synthetic derivative would have had a positive effect upon the income statement for that period of €71 million, while the effect on comprehensive income for the same period, which includes the impact of the elimination of the AFS Reserve, would have been a negative €113 million. There would have been, on the other hand, a negative impact upon shareholders' equity as at that date of €195 million.

With regard to the 2014 Audited Consolidated Financial Statements, the presentation of Alexandria as a synthetic derivative would have had a negative effect upon the income statement for that period of €55 million, while the effect on comprehensive income for the same period, which includes the impact of the elimination of the AFS Reserve, would have been a negative €43 million. There would have been, on the other hand, a negative impact upon shareholders' equity as at that date of €82 million.

With reference to the 2013 Audited Consolidated Financial Statements and to the 2012 Audited Consolidated Financial Statements, the presentation of the two transactions as synthetic derivatives would have had a positive effect upon the income statement of €256 million for the year ended December 31, 2012 and €854 million for the year ended December 31, 2013. The impact on comprehensive income, which includes the impact of the elimination of the AFS Reserve, would have been negative €136 million for the year ended December 31, 2012 and positive €68 million for the following year. Shareholders' equity would have been €104 million lower as at December 31, 2012 and €37 million lower as at December 31, 2013.

As at the date of this Prospectus, the Bank's accounting of its long-term structured repo transactions is subject to further CONSOB analysis following the conclusion of the preliminary investigations conducted by the Public Prosecutor of the Court of Milan.

The consumer group CODACONS has repeatedly contested the accuracy of the presentation of the two transactions in the 2012 Audited Consolidated Financial Statements, including under a number of complaints to civil authorities and criminal prosecutors, which as at the date of this Prospectus have not resulted in any definitive action. Although the Bank maintains that such assertions made by CODACONS are unfounded and defamatory (and has counterclaimed for damages), if the arguments CODACONS has presented in civil, administrative and criminal proceedings are upheld, those proceedings may have a material adverse effect, including as a result of the reputational importance of those proceedings, upon the Bank's and/or the Group's business, financial condition, results of operations and cash flows.

Risk factors regarding the Montepaschi Group's business sector

Liquidity risks

The Group's businesses are subject to risks concerning liquidity which are inherent in its banking operations and could affect the Group's ability to meet its financial obligations as they fall due, or to fulfil commitments to lend. In order to ensure that the Group continues to meet its funding obligations and to maintain or grow its business generally, it relies on customer savings and transmission balances, as well as ongoing access to the wholesale lending markets. The ability of the Group to access wholesale and retail funding sources on favourable economic terms is dependent on a variety of factors, including a number of factors outside of its control, such as liquidity constraints, general market conditions and confidence in the Italian banking system.

Following concerns over U.S. sub-prime residential mortgage loans and related securities, the credit markets (primarily in the U.S. and Europe) have been experiencing substantial dislocations, liquidity disruptions and market corrections whose scope, duration, severity and economic effect remain uncertain. The global liquidity crisis has had, and may continue to have, an adverse effect on markets in the U.S., Europe and Asia, and has affected conditions in the European economies, on which the Group's business depends. The global financial system has yet to overcome such difficulties and financial market conditions have remained challenging and, in certain respects, have deteriorated.

The current credit conditions of the global and Italian capital markets have led to the most severe examination of the banking system's capacity to absorb sudden significant changes in the funding and liquidity environment in recent history, and have had an impact on the wider economy. Individual institutions have faced varying degrees of stress. Should the Group be unable to continue to source a sustainable funding profile which can absorb these sudden shocks, the Group's ability to fund its financial obligations at a competitive cost, or at all, could be adversely affected.

In addition, the value of a number of the investment securities that the Group holds is sensitive to the volatility of the credit markets and accordingly, such investment securities may be adversely affected by future developments in the credit markets. Adverse and continued constraints in the supply of liquidity may adversely affect the cost of funding the business and extreme liquidity constraints may limit growth possibilities. An inability to access funds or to access the markets from which it raises funds may create stress on the Group's ability to finance its operations adequately. A dislocated credit environment compounds the risk that funds will not be available at favourable rates.

In addition as set out in "Basel III and CRD IV" below, the Group will be subject to new liquidity requirements introduced under the CRD IV Package (as defined below).

Risks arising from the Eurozone sovereign debt crisis

The results achieved by the Bank and the other companies in the Group are significantly influenced by the general economic environment and by the performance of financial markets, and, in particular, due to the fact that the Bank operates almost exclusively in Italy and the Group has material credit exposure to the Republic of Italy, the performance of the Italian economy. The Italian economy, in turn, is affected, *inter alia*, by factors such as investors' perception of the economy's soundness, the outlook for its growth and confidence in domestic Italian borrowers.

Following the crisis that has affected global markets since August 2007, the global financial system and the financial markets faced difficult operating conditions and instability, which required action by governments, central banks and supranational organizations to support certain financial institutions, including the injection of liquidity into the system, and direct involvement in the recapitalization of those financial institutions. Financial markets around the world suffered in this environment.

That unfavourable environment not only contributed to an acceleration in the deterioration in the condition of the public finances of the States of the European Union, but also penalized those banks that were most exposed to sovereign debt, which gradually compounded the crisis as it continued in Italy and elsewhere in Europe throughout 2012, with a consequent reassessment of sovereign credit risks. Despite measures undertaken by the ECB, a fear

emerged among investors and in the economy more widely that some countries in the Eurozone might default on their obligations, which resulted in a general reduction in financing, greater volatility in the markets and acute difficulties in obtaining liquidity internationally. On more than one occasion, fear arose that the European Monetary Union might be dissolved, or that individual member states might leave the single Euro currency.

These fears were rekindled at the end of 2014, with the election in Greece of the anti-European party Syriza, the maturity of a portion of Greece's bail-out funding in the first quarter of 2015 without replacement funding secured and increasing acrimony between Greece and the monitoring institutions (the ECB, the International Monetary Fund and the Commission). Uncertainty around Greece's ability to find a long-term solution to its funding needs, with a consequent default on its obligations and/or exit from the Eurozone, have renewed concerns about potential economic stagnation in Europe more generally. While the Bank does not have significant exposure to Greece, to the extent that the Greek crisis increases investors' perceived risks relating to Italian sovereign debt or otherwise negatively impacts the Italian economy, the Bank would be adversely affected.

More generally in 2014, the global economic and financial market recovery did not meet original expectations. While the United States has experienced a stable recovery, economic activity in Japan and in the developing countries has contracted. In the Eurozone, growth prospects have deteriorated, with the anticipated recovery slowing, including in Germany, during the second quarter of the year, prior to regaining momentum. Amid weak foreign demand and a slowdown in investments, as well as a lack of improvement in domestic spending, the ECB undertook measures aimed at kick-starting growth and staving off deflation, including reducing the cost of funding to historic lows.

On 5 June 2014, the ECB announced its decision to conduct a series of TLTROs over a period of two years, aimed at improving and supporting bank lending to the euro area non-financial private sector. Shortly thereafter, on 29 July 2014, the ECB published the details and modalities of the eight TLTROs. The initial operations were conducted in September and December 2014, with the additional operations carried out in March and June 2015, and the remaining operations to be carried out in September and December 2015, and in March and June 2016.

On 22 January 2015, the ECB launched its Expanded Asset Purchase Programme (more commonly known as Quantitative Easing), under which the ECB has, starting in March 2015, begun purchasing euro-denominated, investment-grade securities issued by euro area governments and European institutions up to Euro 60 billion each month. The programme is intended to be carried out until September 2016, and in any case until there are signs of a sustained adjustment in the path of inflation that is consistent with the aim of achieving inflation rates approaching 2%. There will be a risk-sharing mechanism in place under which 80% of any losses incurred by the euro system on bond purchases will be borne by national central banks, with the remaining 20% of any losses borne by the ECB.

The ECB has also launched, in favour of individual banks, the Emergency Liquidity Assistance programme and implemented a plan aimed at providing European credit institutions with an unlimited quantity of three year liquidity, to respond to the widespread difficulties they face in performing funding activity. Notwithstanding such efforts, which may cease at any time, obtaining funding remains challenging for the banking system.

Uncertainty also remains with respect to: (i) the possible impact on the financial markets of the U.S. Federal Reserve's cessation of its program of quantitative easing; (ii) heightened opposition to the European Union and increased demands by Member States for more flexibility in the application of the European treaties; (iii) the effect of currency imbalances on the markets, including, for example, the abandonment of the peg between the Swiss Franc and the Euro and the significant devaluation of the Russian ruble; (iv) the impact of the substantial decrease in the oil price on oil-manufacturing countries in the context of low inflation, especially in Europe; and (v) increased geopolitical tensions, arising between Russia and the West over Ukraine, as well as the situation in the Middle East, both with respect to Syria and the rise of terrorist-led attacks throughout the region.

The economic situation in Italy was significantly impacted by the global crisis, and was characterized by economic stagnation, multiple reductions in the rating of the Republic of Italy and an increased spread between BTPs and Bunds. In particular, the first quarter of 2012 initially saw an increase in the spread between 10-year Italian and German sovereign bonds, due, in particular, to forecasts of negative economic growth in Italy, while the second half of that year saw a marked decline in the yield of Italian sovereign bonds of all maturities, relative to the highs reached in 2011 (as a result of reduced market pressure over sovereign debt in the Eurozone, and the measures taken by the Italian government to achieve fiscal consolidation), accompanied by a gradual decrease in the spread between 10-year Italian and German treasury sovereign to April 2012 levels. This was as a result, *inter alia*, of the statements by the governor of the ECB at the end of July 2012, and the approval in September 2012 by the ECB's Council of a plan to buy unlimited quantities of Euro-area government bonds with maturities of one to three years in the secondary market, which they described as Outright Monetary Transactions. These were intended to operate alongside the European Stability Mechanism's ("ESM") existing conditional credit enhancement arrangements in the primary market (provided in the form of macroeconomic adjustment or prior financial assistance, known as Enhanced Conditions Credit Line, or "ECCL"). The ECB also commenced its Emergency Liquidity Assistance program and implemented a plan for providing unlimited three-year liquidity to European credit institutions, in order to address widespread difficulty in carrying out funding activities.

While Italy has begun to benefit, albeit with a slight lag, from the improved economic conditions in the Eurozone, its GDP contracted by 1.7% in 2013 and by 0.4% in 2014. Unemployment remains high, at 13%. Growth for 2015 is forecast by the European Commission at 0.6% (compared to 1.5% for the Eurozone), but whether or not this is achieved depends on a number of factors, such as the evolution of the global economy and financial markets and improvements in existing internal weaknesses, such as low internal demand, weak foreign investment and excessive public debt that puts Italy at risk of additional infringement procedures by the European Commission for breaching the maximum debt to GDP ratio. In addition, the intensification of existing political tensions may threaten the stability of the current government.

Economic stagnation and political uncertainty may, in turn, negatively impact the spread between Italian sovereign bonds and 10-year Bunds. During 2013, the spread climbed to more than 300 basis points at the end of June of that year and, although it has declined significantly since then, to as low as 140 basis points in April 2015, it remains volatile.

After 2013, in which major Italian banking groups reported losses, profitability improved in the first half of 2014, but it remains still weak. According to the Bank of Italy, in the first half of 2014, annualized return on investment (ROE) was equal to 2.8%, compared to 1.3% based

on data from the first half of 2013. ROE was equal to 2.5% for the banks subject to the Comprehensive Assessment, compared to 3.5% for other banks.

Last, the cost of borrowing for non-financial companies in Italy remains above that for the Eurozone as a whole, by approximately 80 basis points according to the Bank of Italy's *Financial Bulletin* (April 2014). In 2013, the profitability of Italy's largest banking groups (UniCredit, Intesa Sanpaolo, BMPS, UBI Banca and Banco Popolare) declined, principally as a result of major loan impairments. Specifically, the return on equity, net of non-recurring items such as impairments of goodwill, was negative 1.3% in 2013, compared to the positive 1% seen in 2012 (Source: *Financial Stability Report*, Bank of Italy (May 2014)).

Given the Group's significant exposure to the Italian economy in general and sovereign debt in particular, the Group has suffered from slowdowns in its ordinary operations, a substantial increase in its cost of funding, a decrease in the value of its assets as a result of depressed equity and bond prices, a deterioration in its loan book with an increase in non-performing loans, and insolvencies and additional costs arising out of the impairment and depreciation of assets, which hampered its ability to generate profits. Should there be further political instability in Italy, or should the measures for Italy's fiscal consolidation and economic recovery not be implemented or not achieve their intended results, these negative effects on the Group may become more acute.

Risks in connection with the exposure of the Group towards Eurozone sovereign debt, and in particular, Italian sovereign debt

The Group is significantly exposed to the borrowings of central governments and other public-sector entities, in particular those in Italy.

As at March 31, 2015, the Group's cash exposure toward governments and other public-sector entities within Europe (in both Eurozone and non-Eurozone countries) and beyond was approximately €25,542 million, a decrease compared to €27,680 million as at December 31, 2014. Almost all of the exposure related to Italy (99.94%), and almost all of these financial assets were classified as available for sale. In particular, as at March 31, 2015, the Group's sovereign exposure included in the balance sheet as "debt securities" amounted to €24.602 million, an increase compared to €24,428 million as at December 31, 2014. Almost all of this exposure (€24,586 million, or 99.94% of the total) related to Italy, with the remainder relating to other countries (including 0.20% related to Spain, and 0.05% related to Portugal). These debt securities are predominantly recorded as available for sale (83.67%). As at March 31, 2015, the duration of the exposure to sovereign debt was 7.3 years.

The exposure to Portugal and Spain, recorded as financial assets available for sale ("AFS"), has not been subject to impairment given the lack of objective evidence of impairment, in particular, with regard to the sovereign issuer's ability to discharge its obligations, at the time of testing.

As at March 31, 2015 and December 31, 2014, the Group was thus exposed, as described above, to movements in sovereign bonds generally, and Italian government bonds in particular. Continued tension in the sovereign bond market, and volatility in bond prices, may have a material adverse effect upon the Bank's and the Group's operations and financial position. In addition, a deterioration in Italy's creditworthiness, and a consequent decrease in the value of the securities, would have an adverse effect upon the financial results from assets held for trading, and possibly also a material adverse effect upon the costs of funding, as well

as the Group's counterbalancing capacity, which is comprised primarily of sovereign bonds. The wider impact of a fall in the price of Italian government bonds would be an increase to the negative amount of the reserve related to the changes in the fair value of financial assets available for sale ("AFS Reserve").

In January 2014, the Group, as required by the Bank of Italy Supervisory Regulations, exercised the right to exclude unrealized gains and losses related to exposures toward EU central governments classified in the AFS category, from the calculation of Common Equity Tier 1. This option is exercisable until the adoption of IAS 9. Per the applicable legislation, unrealized gains on financial instruments classified as AFS, other than those relating to exposures to EU central governments, must be included in Common Equity Tier 1 starting in 2015 at 40% and then on a gradually increased basis, by 20% per year (i.e. 40% in 2015, up to 100% in 2018); unrealized losses on financial instruments classified as AFS, other than those relating to exposures to EU central governments, are included in Common Equity Tier 1 with a gradual increase of 20% per year (i.e. 20% in 2014, up to 100% in 2018).

Notwithstanding national discretionary measures that allow the Bank to take a phased-in approach and the fact that IAS 9 is not yet in force, the ECB requested that the Bank reflect the entirety of the negative AFS Reserve relating to the sovereign bonds underlying the Alexandria transaction from December 31, 2014.

The AFS Reserve linked to Italian sovereign bonds is sensitive both to the credit spread of the Republic of Italy, and to changes in interest rates more generally. In particular, the sensitivity of the AFS Reserve's fair value to the yield on Italian sovereign bonds as at March 31, 2015 was negative €17.3 million per basis point increase in the Republic of Italy's yield, compared to a negative impact of €15.8 million per basis point increase as at December 31, 2014. If the spread is reduced, there is a positive effect upon the AFS Reserve.

The AFS Reserve's sensitivity to interest rates as at March 31, 2015 was €0.3 million per basis point increase, unchanged compared to €0.3 million as at December 31, 2014. In other words, an increase in interest rates has a positive effect upon the AFS Reserve.

As a result of the exposures described above, the Group recorded, net of the tax effect, a negative AFS Reserve of €160.8 million as at March 31, 2015, and a negative AFS Reserve of €564.1 million as at December 31, 2014, with deferred tax assets of €83.8 million and €272 million, respectively. In addition to its exposure to sovereign bonds, the Group has also made loans to the Italian central government and other public entities. These include loans made to the Italian government and Italian local government bodies, of €940 million as at March 31, 2015, compared to €3,252 million as at December 31, 2014. Any deterioration of these counterparties' creditworthiness could mean that potentially significant impairments would have to be recognized for that category of client, under present internal credit policies, and this may have a material adverse effect upon the Bank's and/or the Group's business, financial condition, results of operations and cash flows.

In addition to the above, the Group had exposure to credit derivatives, expressed in terms of net sales of protection, in a nominal amount of €149 million as at March 31, 2015, a decrease from €690 million as at December 31, 2014. That exposure was limited almost exclusively to the Republic of Italy. During January 2013, the Bank restructured the Nota Italia transaction and, in doing so, removed the component linked to the credit risk of the Republic of Italy, thereby reducing its credit derivatives exposure by approximately €500 million in nominal amount. The restructuring entailed extinguishing the derivative liability, with a gross capital

gain of €21 million (the carrying amount as at December 31, 2012 being €159 million, and the realized amount, €138 million). The restructuring, which took the form of unwinding the credit default swap, entailed a reduction in the exposure of the Bank's income statement to the risk of default by the Republic of Italy, while leaving its exposure to the credit risk of the Republic of Italy in its AFS assets unchanged, which does not directly affect the income statement.

Any deterioration in Italy's creditworthiness, and, to a lesser extent, that of the other countries to which the Group is exposed, and any variation in interest rates could mean a reduction in the carrying value of our derivatives exposure, with a possible material adverse effect upon the Bank's and/or the Group's business, financial condition, results of operations and cash flows.

The commitments made by the Bank in connection with the procedure for the European Commission's approval of the Restructuring Plan provide, *inter alia*, for a reduction in the holdings of Italian government bonds that are recognized as financial assets available for sale, to a nominal amount of approximately €14 billion in 2017 (which was amended from the original commitment of €17 billion to reflect the close-out of the Santorini transaction in December 2013). In the event that the Bank is unsuccessful in making that reduction by not buying additional Italian government bonds to replace those that mature, it may instead be obligated to sell the bonds, possibly in unfavorable market conditions, which may have a material adverse effect upon the Bank's and/or the Group's business, financial condition, results of operations and cash flows.

Employee stoppages, disputes and negotiations with trade unions may result in higher personnel costs and disruptions to services

The Group's operations may suffer from the effects of employee stoppages, and disputes with particular categories of employees, which may result in interruptions to or shortfalls in the services it provides.

The Restructuring Plan provides for a reduction in personnel of approximately 8,000 over the life of the Restructuring Plan (of which 5,250 were effected prior to December 31, 2014), which the Group seeks to achieve through: (i) early retirement schemes, which will be managed through the Solidarity Fund; (ii) the sale of non-strategic assets; and (iii) outsourcing.

Further, on June 30, 2014, the national collective labor agreement covering certain mid-level professional employees ("CCNL") expired, and the negotiations for a new contract are currently in progress. On March 31, 2015, the Italian Banking Association (a trade association representing Italian Banks, or "ABI"), signed a letter of intent with the relevant unions in which the parties committed to prepare an agreement, in final form, for submission to the ABI's executive committee and the unions' respective members' assemblies by the end of June 2015.

A final version of the national collective bargaining agreement that applies to management is also currently under negotiation. The current agreement was terminated by the ABI with effect from April 1, 2015, who then suspended its termination until July 15, 2015, the deadline by which a new agreement must be negotiated. Should the parties fail to reach an agreement, the existing contract will be deemed to have terminated on April 1, 2015.

The outcome of these negotiations remains uncertain and there can be no assurances that the ABI will be able to negotiate terms that are more favorable to its members than the current agreements, which could entail higher personnel costs for the industry and the Group. Further, whether in connection with the implementation of the Restructuring Plan or the renegotiation of the national collective labor agreements, there can be no guarantee that there will not be action by at least some unions that could result in protests, strikes and other developments, such as the nation-wide banking industry strike that occurred in January of this year, that could result in interruptions to operations and inconvenience to customers, which may have a material adverse effect upon the Bank's and/or the Group's business, financial condition, results of operations and cash flows.

Competition

The Bank and the other companies of the Group operate in a highly competitive market. In recent years, the Italian banking sector has been experiencing a phase of particularly fierce competition, as a result of: (i) the implementation of directives intended to liberalize the European Union's banking sector; (ii) the deregulation of the banking sector throughout the European Union, which, especially in Italy, has encouraged competition in traditional banking services and has gradually reduced the spread between interest income and interest expense; (iii) the focus of the Italian banking sector upon fee revenues, which means greater competition in asset management, corporate banking, and investment banking; (iv) changes to certain Italian tax and banking laws; and (v) the development of services with a large technological component, such as internet, phone and mobile banking.

More recently, the Law of March 24, 2015 provided for a significant reform of the corporate governance structures of the country's cooperative banking system (the *banche popolari*), requiring that any bank with assets in excess of €8 billion must convert into a joint stock company (*società per azioni*) within 18 months from the date of effectiveness of the implementing measures to be issued by the Bank of Italy, or face severe sanctions. On April 9, 2015, the Bank of Italy launched a public consultation that ended on May 9, 2015.

To the extent such reforms, by simplifying corporate governance of the *popolari*, would facilitate aggregation between them, as well as their ability to expand their networks, the already intense competitive pressure in the Italian market would increase further.

Competitive pressure may also increase as a result of competitors' behaviour, consumer demand, technological changes, mergers and acquisitions in the financial sector, new competitors entering the market, and other factors, that are not necessarily within the Group's control. Moreover, a deterioration in the macroeconomic environment may result in further increases in competitive pressure, as a result of pressure on prices, for example, and reduced volumes.

In the event that the Group is not able to respond to increasing competitive pressure by, for example, offering profitable new services that meet client demands, the Group could lose market share in a number of business sectors.

As a result of such competition and if it should fail to take suitable corrective action, the Group may not be able to increase or maintain the volumes of business it has achieved in the past or to regain profitability, and, as a result, would fail to attain the strategic objectives under the Restructuring Plan, which may have a material adverse effect upon the Bank's and/or the Group's business, financial condition, results of operations and cash flows.

Risks connected with geographical concentration of business

The Bank has no material operations outside Italy and, as a result, its operations are particularly impacted by changes in the Italian economy. In particular, economic forecasts show considerable uncertainty around future Italian economic growth.

Economic stagnation and the decrease in Italian GDP, as well as an increase in unemployment and adverse trends in capital markets, have led to a mistrust of the financial sector and a decline in investment, as well as an increase in non-performing loans and insolvencies. All of these factors have caused a general decline in demand for the Group's services.

Continued adverse economic conditions in Italy, an economic recovery that occurs more slowly than expected, and/or a prolonged period of political and economic uncertainty could have a material adverse effect on the Group's business, financial condition, results of operations and cash flows.

Further, as a result of the Group's close links with the local area in which it is based, its banking operations are particularly focused upon Tuscany. As at December 31, 2014, its market share of loans with customers, net of impairments, and deposits with retail customers in that region were more than three times that of its market share nationally. Moreover, as at March 31, 2015, the Group had 440 branches operating in Tuscany, out of 2,185 branches operating nationwide.

Although the economy in Tuscany presently resembles and performs in line with that of Italy generally, there can be no guarantee that situation will not change, and the economy in Tuscany may deteriorate, including relative to that in the country as a whole, which may have a material adverse effect upon the Bank's and/or the Group's business, financial condition, results of operations and cash flows.

Deteriorating asset valuations from poor market conditions

In accordance with IAS/IFRS, the Group makes valuations, estimates and assumptions that influence the application of those standards, and affect the amounts of the assets, liabilities, costs and revenues recognized in the financial statements. Estimates and assumptions underlying those estimates are based upon prior experience and other factors considered reasonable in the circumstances, and are used for those assets and liabilities whose value cannot be easily determined from other sources.

The Group uses estimated figures in measuring some of the largest items in its financial statements. Calculation of those estimates implies the use of available information, and the use of subjective assessments. By nature, the estimates and assumptions used may vary from year to year, and, accordingly, there may be no guarantee that in subsequent years the carrying values shown in certain periods will not vary significantly, following changes in the subjective assessments used. Such estimates and assessments are challenging, and inevitably involve uncertainties, even when macroeconomic conditions are stable.

The estimates are largely based on calculations of future recoverability of the amounts recognized in the financial statements, in accordance with the rules that apply under current legislation, on a going concern basis, which is to say, without regard to the possibility that the items being measured may be the subject of a forced sale.

Uncertainty affecting estimates is generally inherent in determining the following:

- the fair value of illiquid assets that are not quoted in active markets;
- loan loss impairments and financial assets generally;
- the value of investments, tangible assets, and goodwill and other intangible assets;
- liabilities for severance pay, and other defined-benefit employee benefits;
- provisions for risks and charges; and
- the recoverability of deferred taxes.

Quantifying such items is mainly dependent upon developments in the domestic and international economic environment and the performance of the financial markets; and, in turn, the consequences these have upon interest rates, price movements, the assumptions underlying actuarial calculations and counterparties' creditworthiness generally.

The estimates are particularly complex given the continuing uncertainties encountered in terms of macroeconomic and market conditions. These are reflected in considerable levels of volatility in the financial benchmarks upon which valuations may depend, and in the indicators of credit quality deterioration, which have remained high.

The benchmarks and the information used in reaching the above estimates are significantly influenced by such factors, and there can be no guarantee that a deterioration in their performance may not have a material adverse effect upon the amount of such items, and ultimately upon the Bank's and/or the Group's business, financial condition, results of operations and cash flows.

In particular, the following items are affected by estimates of fair value made in preparing the financial statements: (i) financial assets held for trading (€19,811 million, as at March 31, 2015); (ii) financial assets available for sale (€21,425 million as at March 31, 2015); (iii) assets related to hedging derivatives (€645 million as at March 31, 2015); (iv) financial liabilities held for trading (€16,381 million as at March 31, 2015); (v) financial liabilities measured at fair value (€2,406 million as at March 31, 2015); and (vi) liabilities related to hedging derivatives (€4,519 million as at March 31, 2015).

On a recurring basis, assets and liabilities as at March 31, 2015 may be categorized into a fair value hierarchy as follows:

- Level 1 assets, €28,441 million; Level 2 assets, €13,071 million; and Level 3 assets, €368 million; and
- Level 1 liabilities, €4,653 million; Level 2 liabilities, €18,650 million; and Level 3 liabilities, €4 million.

As a result of the Group's measurement at fair value of its liabilities, the Group may benefit financially from a deterioration in its credit spread, or those of its subsidiaries. That benefit (in the form of a reduction in liabilities), net of linked hedging positions, could be reduced, with an adverse effect upon the Group's income statement, in the event of a subsequent improvement in the credit spread.

In addition, the Group holds certain debt securities classified as “loans”, whose book value totaled €2,147 million as at March 31, 2015. In particular, “loans to banks” totaled €1,184 million, while loans to customers were €963 million. Based on the respective book values, the aggregate fair value of these instruments was €2,039 million, with an implied total loss of €108 million.

We can provide no guarantee that: (i) future changes in the fair value of financial instruments, and/or their classification; (ii) a need to liquidate assets not measured at fair value prior to their maturity; and, more generally, (iii) the emergence of circumstances or conditions that mean the estimates and measurements previously made are no longer current for the period to which they relate would not have a material adverse effect upon the Bank’s or the Group’s business, financial condition, results of operations and cash flows.

The Group has a significant real estate portfolio. As at March 31, 2015, the book value of land and buildings totaled €2,412 million. Of this amount, €971 million related to land (comprising €815 million used in the business and €156 million held for investment) and €1,441 million related to buildings (comprising €1,209 million used in the business and €232 million held for investment).

In recent years, the Italian property market has experienced a decline in investment, both in residential and non-residential construction, and a decline in property sales, predominantly as a result of the present economic uncertainties, the challenging employment outlook, the decrease in disposable income, and the increase in taxes on various types of real estate.

Such declines in value have led to impairments of the Bank’s real estate portfolio. In accordance with IAS 36 (*Impairment of Assets*) and guidance issued jointly by the Bank of Italy, CONSOB and Italian Insurance Monitoring Institute (“IVASS”), the Bank carried out an assessment of its real estate assets in 2014, which led to impairments of €41.3 million, of which €13.3 million related to land and buildings used in the business and €28.0 million related to land and buildings held for investment).

Should the property market continue to deteriorate, the value of the Bank’s real estate portfolio may be further negatively impacted, with future asset impairments and related losses.

Soundness of financial institutions

In light of the relative shortage of liquidity and relatively high funding costs that have prevailed in the interbank lending market since the onset of the global financial crisis, the Group is exposed to the risk that the financial viability (actual or perceived) of the financial institutions with whom, and the countries in which, it carries out its activities could deteriorate. The Group is exposed to many different industries and counterparties in the normal course of its business, but its exposure to counterparties in the financial services industry is particularly significant. This exposure can arise through trading, lending, deposit-taking, clearance and settlement and many other activities and relationships. These counterparties include brokers and dealers, commercial banks, investment banks, mutual and hedge funds, and other institutional clients. Many of these relationships expose the Group to credit risk in the event of default of a counterparty or client. In addition, the Group’s credit risk may be exacerbated when the collateral it holds cannot be realised or is liquidated at prices not sufficient to recover the full amount of the loan or derivative exposure it is due. Many of the hedging and other risk management strategies utilised by the Group also involve

transactions with financial services counterparties. The above risks could adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges, with whom the Group interacts on a daily basis, which in turn could adversely affect the Group's ability to raise new funding and therefore the Group's results of operations, business and financial conditions.

Market declines and volatility

The crisis in the financial markets reduced the liquidity available to financial institutions generally. The effects of this, the increases to risk premiums and—most recently—the growing tensions over some countries' sovereign debt and the higher capital and liquidity requirements imposed by Basel III, and, more recently, by the ECB following the Comprehensive Assessment, led to a need for multiple measures in support of the banking system. As a result, the banking sector is currently the beneficiary of significant intervention and support by governments and central banks, and the Bank, in particular, is heavily dependent on low-cost ECB funding and government-issued and -guaranteed bonds. Such support has involved both States taking direct stakes in the equity of some banks as well as central banks intervening, initially through refinancing operations in which securities are provided as collateral and, subsequently, by buying back debt in the secondary market.

The authorities have also intervened to provide the banking system with liquidity in order to overcome the most acute stages of the crisis affecting the Eurozone, in particular since mid-2011. This has been achieved by guaranteeing banks' medium-term debt issuances, providing liquidity via the LTRO and other programs and expanding the criteria under which securities are eligible as collateral with the ECB.

Pursuant to Law Decree No. 201 of December 6, 2011, in the first quarter of 2012, the Bank issued €13 billion of instruments guaranteed by the Italian State with three- and five-year maturities (€9 billion (since fully repaid) and €4 billion, respectively). Those liabilities have been in part deposited with the pooling account, in part used as collateral for secured funding operations, and in part repaid or sold in the market. Also to that end, in 2014, the Bank took advantage of market conditions to issue a five-year bond.

On September 6, 2012, as a means of tackling the rising spreads on Eurozone government bonds, the ECB's Governing Council announced a program of purchases of government bonds that was not subject to any *ex ante* quantitative limits, which it named "Outright Monetary Transactions". The ECB proceeded to make purchases in the secondary market, with transactions focused on sovereign bonds with a maturity of between one and three years, subject to satisfaction of certain conditions.

In June 2014, the ECB launched a program to acquire up to €1 trillion in ABSs and covered bonds by the end of 2016 and, in addition to lowering reference rates, also launched a series of long-term financing operations (TLTROs) with the aim of inducing banks to increase lending. The ECB's intention is that the TLTRO program, which commenced in September 2014, will last for two years, with funding levels correlated to banks' lending.

As at March 31, 2015, refinancing from the ECB comprised: (i) three four-year borrowings under the TLTRO program in an aggregate amount of €6.6 billion, excluding accrued interest and maturing on September 26, 2018; and (ii) €4.5 billion (excluding accrued interest) in borrowings under the MRO program.

There can be no guarantee as to how long such liquidity support will continue to be made available, or its magnitude. In addition, the Bank's eligibility for ECB liquidity may, in the future, be limited due to changes in rules relating to accessing such programs, whether with respect to the type of instruments accepted as ECB collateral or the minimum ratings of such instruments. The ECB has approved certain limitations on using government-guaranteed bonds as ECB collateral which became effective on March 1, 2015. As a significant portion of the Bank's ECB collateral is currently comprised of Italian sovereign bonds and bonds guaranteed by the Italian government, such limitations reduce the liquidity the ECB will provide, as the amount of liquidity provided is directly related to collateral furnished. Further, should the value of assets used as ECB collateral decline, so, too, would the ECB liquidity available to the Bank. Accordingly, an inability to obtain liquidity in the market through access to central bank funding, or any significant reduction in or absence of liquidity support from governments and central banks, may complicate our efforts to obtain liquidity in the market and/or mean higher costs for that liquidity, which may have a material adverse effect upon the Bank's and/or the Group's business, financial condition, results of operations and cash flows.

In January 2015, the ECB announced the expansion of the existing asset purchase program in order to address the risks of a deflation in Eurozone economies.

Unlike the asset purchase programs launched previously, the new program also enabled the ECB to purchase sovereign bonds issued in the secondary market by Eurozone central governments, agencies and European institutions. The program envisages combined monthly purchases of €60 billion, up to an aggregate amount of €1,140 billion over a 19-month period from March 9, 2015. The ECB intends that the asset purchase program continue until at least September 2016 and, in any case, until the Governing Council sees a sustained adjustment in the path of inflation that is consistent with its aim of achieving inflation rates below, but close, to 2% over the medium term.

Although the ECB's quantitative easing program is presumed to have positive macroeconomic effects, it may also cause EURIBOR to decrease to the extent that the interest rates may even become negative, which, in turn, may negatively impact the Bank's profitability and cash flows.

Protracted market declines

In some of the Issuer's businesses, protracted adverse market movements, particularly the decline of asset prices, can reduce market activity and market liquidity. These developments can lead to material losses if the Issuer cannot close out deteriorating positions in a timely way. This may especially be the case for assets that did not enjoy a very liquid market to begin with. The value of assets that are not traded on stock exchanges or other public trading markets, such as derivatives contracts between banks, may be calculated by the Issuer using models other than publicly quoted prices. Monitoring the deterioration of the prices of assets like these is difficult and failure to do so effectively could lead to unanticipated losses. This in turn could adversely affect the Issuer's operating results and financial condition.

In addition, protracted or steep declines in the stock or bond markets in Italy and elsewhere may adversely affect the Issuer's securities trading activities and its asset management services, as well as the Issuer's investments in and sales of products linked to the performance of financial assets.

Impact of events that are difficult to anticipate

The Group's earnings and business are affected, inter alia, by general economic conditions, the performance of financial markets, interest rate levels, currency exchange rates, changes in laws and regulations, changes in the policies of central banks, particularly the Bank of Italy and the European Central Bank, and competitive factors, at a regional, national and international level. Each of these factors can change the level of demand for the Group's products and services, the credit quality of borrowers and counterparties, the interest rate margin between lending and borrowing costs and the value of its investment and trading portfolios.

Changes in interest rates

The Group is exposed to the risk that the value of a financial asset (or liability) may decrease (or increase) as a result of changes in market variables, such as credit spreads, interest rates, share prices and exchange rates.

Market risk arises in relation to the trading book, including traded financial instruments and derivatives linked thereto and the banking book, which comprises those assets and liabilities not included in the trading book.

Market risk arises from potential changes in the value of financial instruments (belonging to either the trading or the banking book) as a result of changes in interest rates, exchange rates, share prices, commodity prices, credit spreads and other risks. Changes in prices may reflect changes in the performance of the economy, national and international financial markets generally, monetary and tax policies, global market liquidity, the availability and cost of capital, actions by rating agencies, political events both domestic and international, wars, conflicts and acts of terrorism. With respect to the Group, changes in the value of sovereign bonds, whether as a result of the change in the creditworthiness of sovereign issuers or otherwise, remains a material risk, given the Group's level of exposure to such issuers in general and to the Republic of Italy in particular.

Risks connected with changes in interest rates depend in turn upon a number of factors beyond the Group's control, such as monetary policies, macroeconomic performance and the political situation in Italy. In particular, the results from banking and lending transactions depend upon the Group's exposure to interest rates and the sensitivity of its exposure, that is to say, the effects that changes in relevant market interest rates have upon its interest margin and the Group's financial condition. Any lack of alignment between the interest income that accrues to the Group, and the interest expense it pays (in the absence of suitable instruments guarding against such discrepancies) may have a material adverse effect upon the Bank's and/or the Group's business, financial condition, results of operations and cash flows (through, for example, an increase to the cost of funding that is more marked than any increase in the yield from assets, or a reduction in the yield from assets that is not matched by a decrease in the cost of funding).

As at March 31, 2015, the sensitivity of the banking book was such that an increase of 100 basis points in yield produced a decrease of €252.4 million (compared to a decrease of €774.7 million as at December 31, 2014). Value increased by €299.8 million when yield decreased 100 basis points (compared to €601.7 million as at December 31, 2014).

For operating purposes, market risk is monitored using a VaR measure, which represents the greatest loss that may result over a particular time horizon, with a specified confidence interval. As at March 31, 2015, the VaR of the Group's trading book, calculated with a confidence interval of 99% and a time horizon of one day, was €3.4 million, while, over the course of 2014, the average VaR was €5.8 million. As at March 31, 2015, capital required for regulatory purposes were €345 million.

Although the Group has policies and procedures in place that seek to identify, monitor and manage such risks, unexpected events, or any inadequacy of those policies and procedures, may have a material adverse effect upon the Bank's and/or the Group's business, financial condition, results of operations and cash flows.

Risk management and exposure to unidentified or unanticipated risks

The Group has devoted significant resources to developing policies, procedures and assessment methods to manage market, credit, liquidity and operating risks and intends to continue to do so in the future. Nonetheless, the Group's risk management techniques and strategies may not be fully effective in mitigating its risk exposure in all economic market environments or against all types of risks, including risks that the Group fails to identify or anticipate. If existing or potential customers believe that the Group's risk management policies and procedures are inadequate, its reputation as well as its revenues and profits may be negatively affected.

Risks connected to the presence of OTC derivatives in the Group's portfolio

The Group trades derivative contracts with a variety of underlying assets and instruments, including debt securities and interest rates, equity securities and indices, currencies, and gold, both with institutional and non-institutional counterparties.

As at March 31, 2015, the Group had exposure to financial and credit derivatives traded over the counter ("OTC") with various types of counterparties (institutional, customers, etc.). In aggregate, the derivatives in both the trading and the banking books, gross of netting arrangements, had a positive fair value of €8,359 million, an increase from €7,966 million as at December 31, 2014 (itself a decrease from €9,048 million as at December 31, 2013).

The Group's operations in OTC derivatives primarily entail an assumption of market risk, that is, potential losses that may occur on positions held as a result of unfavorable changes in market conditions. The principal risk factors to which such operations are subject are: interest rates, exchange rates, indices and associated volatility and correlations. These operations also expose the Group to counterparty risk, that is, the risk that the counterparty to a transaction for a particular financial instrument may default before the transaction has settled. This could result in potential losses if at the time of the counterparty's default the financial instrument has a positive value to the Group and the Group has a claim upon the counterparty.

The Group guards against counterparty risk associated with derivatives through guidelines and policies for the management, measurement and monitoring of risk, which differ based upon the characteristics of the counterparty. For those operations where the counterparties are financial institutions, exposure to counterparty risk is monitored daily on individual credit lines by the units overseeing the different business units. Netting and collateral exchange agreements accompany almost all such operations. For operations with non-institutional

customers, the process is based upon distinguishing between the roles and duties of the Group's different entities.

Should the economic crisis continue, or were there to be changes in market conditions or a deterioration in our counterparties' creditworthiness (resulting in the breach or insufficiency of existing collateral requirements), those circumstances would have a negative effect upon the value of our derivative contracts, which may have a material adverse effect upon the Bank's and/or the Group's business, financial condition, results of operations and cash flows.

Risk connected to a potential rating downgrade

The risk connected with the ability of an issuer to discharge its obligations under debt or money market instruments is commonly defined by reference to the credit rating assigned by independent credit rating agencies. Their evaluations and research may assist investors in analyzing the credit risks associated with financial instruments, since they provide indications regarding an issuer's ability to fulfill its obligations. The lower the rating on the scale, the higher the risk the credit rating agency assesses of the issuer not fulfilling its obligations as they fall due, in a timely manner or in full. The outlook assessed by the credit rating agency indicates its view of the direction an issuer's rating is likely to take in the short to medium term.

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.

The following table sets forth the ratings these credit rating agencies have assigned to the Bank, as at the date of this Prospectus.

| | Short-term debt | | Long-term debt | | Last revised |
|------------------------|-----------------|---------|-----------------|----------|----------------|
| | Rating | Outlook | Rating | Outlook | |
| Rating agencies | | | | | |
| Moody's | NP ¹ | — | B3 ² | Negative | April 22, 2015 |
| Fitch | B ³ | — | B- ⁴ | Stable | May 19, 2015 |

¹ In the Moody's ratings system, "NP" means "not prime" and indicates issuers that do not fall within any of the "prime" ratings categories.

² In the Moody's ratings system, debt rated "B" is considered speculative and subject to high credit risk, with the number indicating where such debt falls within that category (3 being the lowest).

³ In the Fitch ratings system, "B" indicates that there is minimal capacity for timely payment of financial commitments, in addition to heightened vulnerability to near-term adverse changes in financial and economic conditions.

| | Short-term debt | | Long-term debt | | Last revised |
|------|------------------------|--------------------------------------|------------------------|--------------------------------------|--------------|
| | Rating | Outlook | Rating | Outlook | |
| DBRS | R-2 (low) ⁵ | Under review (negative implications) | BBB (low) ⁶ | Under review (negative implications) | May 20, 2015 |

On June 14, 2013, at the Bank’s request, Standard & Poor’s announced the withdrawal of its rating. At that time, the long-term rating had been changed to B, with negative outlook, and the short-term rating confirmed as B.

The deterioration of the national and international economic environment, together with the sovereign debt crisis, were among the key factors that, beginning in 2011, resulted in downgrades to the ratings assigned to the Republic of Italy, the country’s main financial institutions, including the Bank.

In determining the ratings assigned to the Bank, the agencies take into consideration and examine various indicators of the Group’s performance, including its profitability and ability to maintain its consolidated capital ratios within set levels. If the Bank or a subsidiary that has been assigned a rating does not achieve or maintain the results measured by one or more indicators, or the Group does not succeed in maintaining its capital ratios within the set level, its rating may be downgraded or may be subject to other adverse rating action by the credit rating agencies, which may make obtaining funding more onerous, complicate access to the capital markets, have negative repercussions upon the Group’s liquidity, and possibly mean the provision of greater amounts of collateral. Among the main uncertainties highlighted in the most recent opinions issued by credit rating agencies regarding the Bank were, in summary, the following:

- (i) *Moody’s*: On April 22, 2015, following publication in March of its new ratings criteria for banks and the lowering of its expectation of state aid being granted to European banks subject to the Single Supervisory Mechanism, at which time it placed the Bank’s individual rating (Baseline Credit Assessment, or BCA) of “caa2” on review for a possible downgrade, Moody’s confirmed the BCA at its current rating but downgraded the Bank’s long-term rating from B1 to B3, citing the shareholders’ approval of the Rights Offering for €3 billion. In its opinion published on March 24,

⁴ In the Fitch ratings system, “B” rating category indicates that material default risk is present, but a limited margin of safety remains. Financial commitments are currently being met; however, capacity for continued payment is vulnerable to deterioration in the business and economic environment.

⁵ In the DBRS ratings system, “R-2” indicates adequate credit quality. The capacity for payment of short-term financial obligations as they fall due is acceptable. May be vulnerable to future events or may be exposed to other factors that could reduce credit quality.

⁶ In the DBRS ratings system, “BBB” indicates adequate credit quality. The capacity for payment of short-term financial obligations as they fall due is acceptable. May be vulnerable to future events.

2015, Moody's noted that it had placed the Bank under review to reflect the uncertainty around the successful outcome of the Rights Offering and high levels of non-performing loans and weak profitability, adversely impacted by loan write-downs.

- (ii) *Fitch*: On May 19, 2015, Fitch downgraded the Bank's long-term Issuer Default Rating ("IDR") to "B-" from "BBB", with stable outlook. The downgrade follows Fitch's review of its ratings criteria to and the conclusion of its review of sovereign support, which it believes to be less likely to be granted to U.S., Swiss and European commercial banks following recent legislative, regulatory, and policy initiatives. Consequently, Fitch lowered its support rating from 2 to 5 and the support rating floor ("SFR") from BBB to "no floor". As a result of the result of the revision of the SRF, the long-term IDR is now driven by the Bank's standalone creditworthiness as expressed in its Viability Rating, which has been affirmed at B-. Fitch noted, in addition to poor asset quality and impaired loans that accounted for approximately 30% of gross loans at the end of 2014, which place significant pressure on both the

Bank's profitability and capitalization, that it expects asset quality to continue to deteriorate, albeit at a reduced pace, and that additional loan impairments will be incurred. It believes that the Bank's overall performance will remain structurally weak in the medium term unless management undertakes significant actions to reduce the stock of impaired loans through sales, which, in the absence of a meaningful secondary market for doubtful loans, are, in Fitch's view, likely to be undertaken below book value. Capitalization also remains a weakness despite the 2014 Rights Offering and the Rights Offering, which Fitch believes may not be sufficient to stabilize the Bank's financial condition, particularly if asset quality continues to deteriorate; and

- (iii) *DBRS*: On May 20, 2015, following review of its ratings criteria and re-assessment of the outlook of a number of banks, DBRS affirmed the Bank's outlook as "Under review (negative implications)" and noted that such outlook also reflected DBRS' view of the decreased likelihood that banks will receive systemic support. On February 18, 2015, DBRS downgraded both the senior long-term and short-term debt ratings, which had been placed under review, following the results of the Comprehensive Assessment. The one-notch downgrade reflected the Bank's 2014 results, which were marked by a €5.3 billion loss, as well as a meaningful increase in impaired lending levels and a further deterioration in capital. Both ratings remain under review as a result of challenges faced, including the execution of a rights offering of €3 billion, which DBRS noted was higher than that originally approved by the Board of Directors in 2014 of €2.5 billion, further possible deterioration of asset quality, the potential need to renegotiate the Restructuring Plan, state ownership following the repayment of 2014 interest in the form of shares and the then pending re-election of the Board of Directors. DBRS also noted 2014 levels of impaired lending, which, at €23 billion, were three times CET1 capital at year end; the deterioration, to 8.7%, of the CET1 ratio at year end 2014, from 12.8% at September 30, 2014; and DBRS's estimated CET1 ratio of 9.7% on a fully loaded basis, reflecting both the Rights Offering of €3 billion and repayment of the remaining NFIs, lower than the ECB-required 10.2%. In DBRS's opinion, positive implications in the near term for the Bank are limited to potential integration with a stronger partner.

Given the Bank's significant exposure to Italian sovereign debt, the Bank's rating may also be affected by the rating of the Republic of Italy, which, as at the date of this Prospectus, was

higher than that of the Bank. As at the date of this Prospectus, the Republic of Italy has been assigned a rating of Baa2, with stable outlook, by Moody's, a rating of BBB+, with stable outlook, by Fitch and a rating of A (low), with stable outlook, by DBRS. Any deterioration in Italy's sovereign rating could lead to a further lowering of the Bank's rating, with a material adverse effect upon the Bank's and/or the Group's business, financial condition, results of operations and cash flows.

The Bank's access to the unsecured funding markets depends upon its credit standing. Any reduction in the rating assigned to the Bank, or withdrawal of one or more ratings, may have an unfavorable effect upon the ability of the Bank or the Group to access a number of liquidity instruments upon favorable terms, and the Group's ability to compete in the market, which could result in an increase in its costs of funding or require it to provide additional collateral in order to obtain liquidity, which may have a material adverse effect upon the Bank's and/or the Group's business, financial condition, results of operations and cash flows.

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 and foundations 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 credit 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 those entities belonging to 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. 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 governs, among other things, liquidity levels and capital adequacy, the prevention and contrast of money laundering, privacy protection, ensuring transparency and fairness in customer relations and registration and reporting obligations. In order to operate in compliance with these regulations, the Group has in place specific procedures and internal policies. 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. The above risks are stated due to the fact that, 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 CRDIV

In December 2009, the Basel Committee proposed strengthening the global capital framework, and in December 2010, January 2011 and July 2011, the Basel Committee issued its final guidance on the proposed changes to capital adequacy and liquidity requirements (“**Basel III**”), which envisaged a substantial strengthening of capital rules existing at the time, including by, among other things, raising the quality of the Core Tier 1 Capital base in a harmonised manner (including through changes to the items which give rise to adjustments to that capital base), introducing requirements for non-Core Tier I and Tier II capital instruments to have a mechanism that requires them to be written off or converted into ordinary shares at the point of a bank’s non-viability, strengthening the risk coverage of the capital framework, promoting the build-up of capital buffers and introducing a new leverage ratio and global minimum liquidity standards for the banking sector.

The Basel III framework has been implemented in the EU through new banking regulations adopted on 26 June 2013: 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 until after such date. 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.

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 (the “**Circular No. 285**”)) which came into force on 1 January 2014, implementing the CRD IV Package, and setting out additional local prudential rules concerning matters not harmonised at EU level. As of 1 January 2014, Italian banks are 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. 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 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 excessive (pursuant to Article 130 of the CRD IV Directive);
- Capital buffers for global systemically important banks: 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, lack of substitutes for the services

provided, global activity and complexity); , to be phased in from 1 January 2016 (Article 131 of the CRD IV Directive), becoming fully effective on 1 January 2019; and

- Capital buffers for systemically important banks at a domestic level: 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). The capital buffer for important banks at domestic level belonging to a group which is a global systemically important bank is limited. This buffer shall not exceed the higher of 1 per cent. of the total risk exposure amount and the global systemically important bank buffer rate applicable to the group at consolidated 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.

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). 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.

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 (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 31 December 2012, 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 will also be phased in: the Liquidity Coverage Ratio will apply from 1 January 2015 and be gradually phased in and the European Commission intends to develop the net stable funding ratio with the aim of introducing it by 1 January 2018.

The CRD IV Package may also introduce a new leverage ratio with the aim of restricting the level of leverage that an institution can take on to ensure that an institution's assets are in line with its capital. Institutions are required to disclose their leverage ratio from 1 January 2015. Full implementation and European harmonisation, however, is not expected until 1 January 2018 following the European Commission's review in 2016 of whether or not the ratio should be introduced. As a result of the changes described above, there is uncertainty as to regulatory requirements that the Issuer will be required to comply with. Furthermore, 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.

As of 2016, the Group may be subject to the provisions of the Regulation establishing the Single Resolution Mechanism

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 is expected to be operational by 1 January 2016. There are, however, 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, which will enter into force on 1 January 2015.

The SRM, which will complement the ECB Single Supervisory Mechanism, will apply to all banks supervised by the ECB Single Supervisory Mechanism. It will mainly consist of the Board and a Single Resolution Fund (the “**Fund**”).

Decision-making will be centralised with the Board, and will involve the Commission and the Council (which will 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 Board, will be divided into national compartments during an eight year transition period, as envisaged by an Intergovernmental Treaty, whose ratification is a precondition for the entry into force of the SRM Regulation. Banks will start to pay 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 will be required to finance the Fund. The Issuer may therefore be required to pay contributions to the SRM in addition to contributions to the national Deposit Guarantee Scheme. The SRM is not operational yet and the manner in which it will be implemented 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 implementation of the directive or the taking of any action under it could materially affect the value of any Covered Bonds

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 on 2 July 2014.

The BRRD is designed to provide authorities with a credible set of tools to intervene sufficiently early and quickly in an unsound or failing institution so as to ensure the continuity of the institution's critical financial and economic functions, while minimising the impact of an institution's failure on the economy and financial system.

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 firm 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 including Senior Notes and Subordinated Notes to equity (the "general bail-in tool"), which equity could also be subject to any future application of the general bail-in tool.

The BRRD also provides for a Member State as a last resort, after having assessed and exploited the above resolution tools to the maximum extent possible 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 EU state aid framework.

An institution will be considered as failing or likely to fail when: it is, or is likely in the near future to be, in breach of its requirements for continuing authorisation; its assets are, or are likely in the near future to be, less than its liabilities; it is, or is likely in the near future to be, unable to pay its debts or other liabilities as they fall due; or it requires extraordinary public financial support (except in limited circumstances).

In addition to the general bail-in tool, the BRRD provides for resolution authorities to have the further power to permanently write-down or convert into equity capital instruments such as Subordinated Notes at the point of non-viability and before any other resolution action is taken ("non-viability loss absorption"). Any shares issued to holders of Subordinated Notes upon any such conversion into equity 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 will no longer be viable unless the relevant capital instruments (such as Subordinated Notes) are written-down or converted or extraordinary public support is to be provided.

The BRRD also requires institutions to maintain at all times a sufficient aggregate amount of own funds and "eligible liabilities", expressed as a percentage of the total liabilities and own funds of the institution (known as the "minimum requirement for own funds and eligible liabilities" or "MREL"), with a view to facilitating effective resolution of institutions and minimising to the greatest extent possible the need for interventions by taxpayers. "Eligible liabilities" (or bail-inable liabilities) are those liabilities and other instruments that are not excluded by the BRRD from the scope of the bail-in tool. The resolution authority of an institution, after consultation with the relevant competent authority, will set the MREL for the institution based on the criteria to be identified by the EBA in its regulatory technical

standards. In particular, the resolution authority may determine that part of the MREL is to be met through “contractual bail-in instruments”. EBA has currently published its final draft regulatory technical standards and has delivered such draft to the EU Commission for endorsement.

The BRRD provides that it will be applied by Member States from 1 January 2015, except for the general bail-in tool which is to be applied from 1 January 2016. The Italian Parliament just passed the final text of the law (*Legge di delegazione europea 2014*) mandating the Italian Government to implement, amongst others, the BRRD in Italy. This law, which will enter into force after 15 days following its publication in the Official Gazette, only stipulates the general principles and criteria whereby the BRRD has to be implemented in the Italian legal framework. The Italian Government will then have to pass the legislative decree implementing the BRRD within 3 months of the entry into force of such law. A draft legislative decree is expected to be published in the coming weeks by the Italian Government.

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.

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.

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 some operations and the related income and expense, with potentially negative effects on the estimates contained in the financial plans for future years and with the need to restate already published financials.

In this regard, it should be pointed out that:

- IAS 19 revision and the new standard IFRS 13 entered into force on 1 January 2013;
- the new IFRS 10, IFRS 11 and IFRS 12 entered into force in 2014.

Furthermore, IFRS 9 is currently being finalised. This new standard will introduce significant changes with regard to classification, measurement, impairment and hedge accounting of instruments, including financial instruments, replacing IAS 39. At the present time, IFRS 9 is still expected to be applicable as of 1 January 2018, following the endorsement by the European Union.

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

On 14 February 2013, the European Commission published a new legislative proposal on the Financial Transaction Tax (the “FTT”). The proposal followed the Council's authorisation to proceed with the adoption of the FTT through enhanced cooperation, i.e. adoption limited to 11 countries - among which Italy, France, Germany and Austria are included. A joint statement issued in May 2014 by ten of the eleven participating Member States indicated an intention to implement the FTT progressively, such that it would initially apply to shares and certain derivatives, with this initial implementation occurring by 1 January 2016.

The impact on the ‘real economy’ of the FTT as currently envisaged – especially for corporations – could be severe as many financial transactions are made on behalf of businesses that would bear the additional costs of the tax. For example, a transaction tax would raise the cost of the sale and purchase of corporate bonds in a time where it is widely acknowledged that access to capital markets by corporate issuers has to be incentivised.

Moreover, it is a matter of concern for the Group that the proposal does not exempt the transfers of financial instruments within a group. Thus, if a financial instrument is not

purchased for a client but only moved within a banking group, each transaction would be subject to taxation. Also, the inclusion of derivatives and repos/lending transactions in the taxation scope clashes with the efficiency of financial markets.

Forthcoming regulatory changes

In addition to the substantial changes in capital and liquidity requirements introduced by Basel III and CRD IV Package, there are several other initiatives, in various stages of finalisation, which represent additional regulatory pressure over the medium term and will impact the EU's future regulatory direction. These initiatives include, amongst others, a revised Markets in Financial Instruments EU Directive and Markets in Financial Instruments EU Regulation which entered into force on 2 July 2014 and will apply from 30 months after entry into force subject to certain transitional arrangements. The Basel Committee has also published certain proposed changes to the current securitisation framework which may be accepted and implemented in due course.

The various regulatory requests may affect the activities of the Group, including its ability to grant loans, or result in the need for further capital injections in order to meet capital requirements as well as require other sources of funding to satisfy liquidity requirements, which could result in adverse effects to the Group's results of operations, business, assets, cash flows and financial condition, the products and services offered by the Group as well as the Group's ability to pay dividends.

Such changes in the regulatory framework and in how such regulations are applied may have a material effect on the Issuer's business and operations. As the new framework of banking laws and regulations affecting the BMPS is currently being implemented, the manner in which those laws and related regulations will be applied to the operations of financial institutions is still evolving. No assurance can be given that laws and regulations will be adopted, enforced or interpreted in a manner that will not have an adverse effect on the business, financial condition, cash flows and results of operations of BMPS.

Prospective investors in the Covered Bonds should consult their own advisors as to the consequences for them of the application of the above regulations as implemented by each Member State.

Operational risks

In the conduct of its operations, the Group is exposed to operational risk, meaning the risk that it may suffer losses as a result of the inadequacy or malfunction of procedures, errors or misuse by personnel of internal procedures and IT systems, or external events. Such risks include the possibility of losses from fraud, human error, service interruptions, delays, outages, hacking, malicious attacks, system unavailability and risks associated with increasing use of automation and outsourcing for business functions, contractual breach, failings and shortcomings in IT security and legal risk. Operating risks are different from the other risks typical of banking and financial business (credit and market risk), because they are not assumed by the Bank on the basis of its strategic decisions, but are inherent in and present throughout its operations.

The Group has established an internal model for determining capital requirements for its operating risks to mitigate against the adverse consequences connected with this risk category, using the Advanced Measurement Approach ("AMA") under Basel II. Its methods

have been approved by the Bank of Italy for reporting purposes. The model's framework includes specific rules governing the process of, and the methods used in, identifying, measuring, monitoring and mitigating operating risks. As at December 31, 2014, using the AMA, capital required for operational risk was €708.3 million, an increase compared to €659.4 million at December 31, 2013.

In the past, there have been weaknesses and gaps in the Bank's internal control system, in particular, in respect of credit risk, money laundering and administrative procedures (such as supplier selection, outsourcing procedures and pending items in accounting). In its report on the 2014 Audited Consolidated Financial Statements, the Bank's Board of Statutory Auditors highlighted weaknesses relating to: (i) use of information systems to manage credit risk; (ii) lack of timely review and monitoring of the loan book in order to identify early, and proactively manage, deteriorating loan quality; (iii) inadequate management and conservation of loan documentation and (iv) anti-money laundering procedures. While the Bank has worked to strengthen its internal controls and close such gaps, such improvements and the procedures employed may be found to be inadequate to identify and protect against these or other risks. Further, events may occur that are unanticipated, or are beyond the Group's control, including suppliers' breaches of their contractual obligations, fraud and deceit, losses arising out employee misconduct, the breach of control procedures, viral attacks on IT infrastructure, the malfunction of electricity and telecommunications services, and terrorist attacks. These events, as well as any inadequacies in the design or application of the Bank's systems, may have a material adverse effect upon the Bank's and/or the Group's business, financial condition, results of operations and cash flows.

For example, reviews were implemented following the aforementioned events that affected the Group and resulted in restatement of the 2012 Audited Consolidated Financial Statements which was completed in the six months ended June 30, 2013. Those reviews included, in particular, the restructurings of Alexandria and Santorini, which were entered into prior to 2012.

The reviews led to significant operating losses being identified as a result of those events classified as "internal fraud". Losses in relation to the Alexandria and Santorini restructurings, which were connected with the events that have been the subject of restatement, were reflected in the regulatory submissions as at and for the period ended June 30, 2013 and the Consolidated Financial Statements.

There can be no assurances that the Group's IT systems will not malfunction, or that the policies and procedures adopted by the Bank will be suitable to eliminate operational risk, or that they will be properly followed by the Bank's employees, any of which could have a material adverse effect upon the Bank's or the Group's business, financial condition, results of operations and cash flows.

Legal risks

As at the date of this Prospectus, the Group is involved in a number of civil, administrative and criminal investigations and proceedings. Some of these investigations and proceedings originated from the exceptional and extraordinary circumstances that gave rise to the criminal investigations, and the legal affairs in which the Bank was involved in 2012 and 2013, while others arose from the Group's ordinary-course operations.

(a) *Risks relating to civil, criminal and administrative proceedings arising from criminal investigations and judicial matters in 2012 and 2013*

A number of judicial proceedings relate primarily to the financial transactions by which the Bank obtained the funds necessary for the acquisition of Banca Antonveneta and to certain financial transactions that the Bank entered into, including those relating to the restructuring of the Santorini and Alexandria transactions, the capital increases conducted by the Bank in 2008 and 2011, and the FRESH 2008 issuance.

The transactions resulted in a number of proceedings for sanctions brought by the Supervisory Authority primarily against the Bank's previous management, which, in the event of penalties, would result in the Bank being jointly and severally liable for those penalties, with no certainty that the Bank will be able to recover any amounts paid in restitution proceedings. In addition, claims related to these transactions have been brought against the Bank in a number of lawsuits by consumer groups and individual investors who subscribed for financial instruments at or around the time of the Bank's equity issuances. CONSOB, by resolution No. 18885 of April 17, 2014, and by resolution No. 18886 of April 18, 2014, respectively, concluded the sanctions proceedings that had been initiated for possible irregularities in the preparation of the information prospectuses relating to the 2008 and 2011 rights issues. These resolutions imposed administrative fines totaling €450,000 and €700,000, respectively, against the then directors and statutory auditors of the Bank, attributable to each individual based on the office held and actual duties performed. The Bank does not plan to appeal either decision and has proceeded with the payment of the penalties on the basis of joint liability. It has taken initial steps to begin restitution proceedings against the former directors and auditors. CONSOB, by resolution no. 18924 of May 21, 2014, concluded the sanctions proceeding for irregularities in the preparation of prospectuses relating to debenture loans and certificates published by the Bank between 2008 and 2012, imposing monetary sanctions of €750,000 on the then directors and auditors of the Bank. The fine is attributable to the individuals based on the office held, the time in office and the actual duties performed.

The lawsuits brought by the Bank pursuant to former art. 187-*quinquies* of the Consolidated Finance Act against the former Chairman of the Board of Directors and former General Manager and against Nomura International plc ("Nomura") and Deutsche Bank AG, in connection with the restructuring of the Alexandria notes and Santorini transactions, respectively, are also bound up with those events. The action for extra contractual liability against Deutsche Bank AG was settled on December 19, 2013. For information relating to the settlement agreement signed on December 19, 2013 relating to Santorini.

With respect to the civil litigation in the Court of Florence regarding the restructuring of the Alexandria notes, and the claims brought against the then Chairman of the Board of Directors, Giuseppe Mussari, and the former General Manager, Antonio Vigni, the Bank is seeking an order confirming the liability of the aforementioned executives, and of the counterparty, for losses caused by the structured finance transactions. With regard to such proceedings, as at the date of this Prospectus, no counterclaims have been made by the aforementioned parties. Accordingly, the Bank has made no calculation of the liabilities associated with the risk of these two proceedings being unsuccessful.

The outcome of the proceedings brought by the Bank in relation to the structured finance transactions with Nomura could be affected if the claims brought by Nomura in connection with the same matter in the Commercial Court in London are upheld. Those claims seek

recognition of, *inter alia*, the validity of the contracts and the absence of any liability on Nomura's part, contractually or on the basis of unjust enrichment. Accordingly, there can be no guarantee that, in the event that the English courts were to rule in Nomura's favor, Nomura would not seek to have that ruling recognized in the proceedings before the Court of Florence to oppose the Bank's arguments regarding the illegitimacy of the transactions as a whole.

Finally, the Bank has been joined as a defendant in several independent actions brought by the MPS Foundation: (1) against Mr. Mussari, Mr. Vigni and Nomura; and (2) against Mr. Vigni and Deutsche Bank AG, alleging liability of the defendants under art. 2395 of the Italian Civil Code for direct damages sustained by the MPS Foundation after having participated in the Bank's 2011 rights issue at a price different from that which would have been obtained if the restructurings of Alexandria and Santorini had been properly reflected in the Bank's financial statements.

In the course of the lawsuit filed by the MPS Foundation, the Bank has been joined as a defendant at the request of Mr. Vigni, on the basis of an alleged hold-harmless letter granted by the Bank to him in the context of a consensual termination of his employment, covering claims by third parties; and of Mr. Mussari, on the basis that, pursuant to Art. 2049 of the Italian Civil Code, the Bank is responsible for alleged actions by certain of the Bank's directors in executing the Alexandria transaction with Nomura.

A number of civil, administrative and criminal proceedings—commenced by criminal prosecutors, regulators, organized consumer groups, investors and the Bank itself—have flowed from the criminal investigations that began in 2012. In these proceedings, the Bank has adhered to the principle that the current business and management of the Bank is different from that which was in place at the time of these events. The Bank's new management has sought to identify and pursue those initiatives that it believes best protect the interests of the Bank, its assets and its reputation, including by pursuing actions against former senior management, and the counterparties involved in relevant transactions.

The Bank's engagement on these issues in recent months has required significant attention from management, and may continue to do so, drawing management's attention away from the Bank's ordinary operations. Actions by investors alleging that the relevant prospectus upon which they based their investment decisions contained false information may increase the amount of present claims, significantly, both in terms of size and the number of claims, which as of the date of this Prospectus total approximately €44 million. This increase may be driven by the results and findings in the procedures that were commenced by regulators after the criminal investigations began in the course of 2012 and by the fact that the Bank has been recently named as a subject under investigation by the Milan Public Prosecutor, pursuant to Legislative Decree No. 231/2001.

Moreover, in relation to a matter arising out of the facts underlying the restructuring of the Alexandria notes, following notice dated April 3, 2015 of the conclusion of its preliminary investigations, the Milan Public Prosecutor filed a request for committal for trial against Messrs. Mussari, Vigni and Baldassarri, as well as two members of the management of Nomura, in relation to the alleged violation of Article 2622, par. 1, 3 and 4 of the Italian Civil Code for misleading corporate declarations (*false comunicazioni sociali*) and of Article 185 of the Consolidated Finance Act, on market manipulation, committed in cooperation among them with relevant conduct under Articles 3 and 4, par. 1, of Law No. 146/2006 on transnational crimes.

In relation to the crimes allegedly committed by the persons above, the Public Prosecutor also filed a request for trial in respect of the Bank and Nomura in relation to the administrative offences set forth under Articles 25-ter, letter C), and 25-sexies of Legislative Decree No. 231/2001. The Bank is also among those subjects harmed by the abovementioned crimes. The preliminary hearing is scheduled for October 12, 2015.

Further, as a result of extraordinary factual circumstances giving rise to these proceedings, as well as their number, diversity and evolution, it is possible that the Bank may also be charged with one of the offenses contemplated by Italian Legislative Decree 231/2001, which governs enterprise liability under Italian law. Such offenses include corruption, fraud (including accounting fraud), falsification crimes and corporate crimes.

An adverse determination in these legal proceedings, an outcome different from our expectations, the commencement of additional proceedings or any increase in the amounts claimed thereunder could have a material adverse effect upon the Bank's and/or the Group's business, financial condition, results of operations and cash flows.

(b) *Risks relating to ordinary-course litigation*

In the ordinary course of its business, the Group is involved in various legal proceedings, including clawback actions, actions relating to compound interest, the placement of debt securities of sovereign and corporate issuers who subsequently defaulted on those obligations, and the placement of other financial instruments and products. In the ordinary course of its operations, the Group is also subject to inspections by Supervisory Authorities, which at times result in measures being imposed to increase and bolster the safeguards that are in place, where shortcomings are identified. In the event that such shortcomings are substantial, sanctions proceedings may be brought against the Bank, its senior management and employees.

CONSOB, pursuant to Resolution No. 18850 of April 2, 2014, concluded the penalty proceedings initiated for non-compliance with the provisions on the subject of public offerings of financial instruments, imposing administrative fines against the former General Manager, Antonio Vigni, and others responsible for corporate structures of the Issuer for a total of €43,000. This measure has not been disputed by the Bank, which paid the penalties as it is jointly liable under the law.

The Bank has also been charged with three administrative violations in a proceeding initiated by the Forli Public Prosecutor against several natural persons and legal entities for money laundering and obstruction of justice, including obstruction of the exercise of public supervisory functions pursuant to Art. 2638 of the Italian Civil Code, money laundering pursuant to Art. 648-bis of the Italian Criminal Code and international conspiracy (Art. 416 of the Italian Criminal Code). On February 12, 2015, the Court of Forlì denied jurisdiction, referring the case to the Court of Rimini, who has yet to commence a hearing.

In connection with pending legal proceedings and investigations, as at March 31, 2015, our "Provisions for Risks and Charges" included a provision in the amount of €431 million. "Provisions for Risks and Charges" includes, among other items, amounts relating to estimated losses arising from clawback actions and estimated pay-outs for claims brought by customers.

Estimation of liability is based upon information available at the time and involves, due to the number of uncertainties surrounding the various legal proceedings, numerous and significant elements of judgment. It is not always possible to produce reliable estimates, for example, when a proceeding has not yet commenced, in the case of counterclaims, or where there are legal and factual uncertainties of the type that would render any estimate unreliable. Consequently, while the Bank believes that the recorded provisions for risks and charges is sufficient with respect to the potential losses resulting from any negative outcomes of the above proceedings, any such provision may ultimately prove to be insufficient in respect of actual charges, costs, sanctions and claims for penalties and compensatory damages relating to pending causes of action. In addition, there can be no assurance that the Group will not be required, in respect of future legal proceedings, to pay charges and damages for which no provision has been taken, which could have a material adverse effect upon the Bank's and/or the Group's business, financial condition, results of operations and cash flows.

Finally, following two claims filed by a consumer association pursuant to Art. 140 paragraph 8 of the Consumer Code, the Court of Milan, by way of two separate injunctions dated March 25, 2015 and April 3, 2015, prohibited certain banking institutions from enforcing any form of compounding of passive interest on present and/or future bank accounts. Although the Bank is currently not involved in these claims, there can be no assurances that, in the future, similar claims could not be made against the Bank or that the stance taken by the Court of Milan on the application of art. 120 of the Consolidated Banking Act will not generate new claims. If this were to occur, a potential unfavorable verdict, and/or a potential increase in the compensation requests, may have a material adverse effect upon the Group's business, financial condition, results of operations and cash flows.

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-term and long-term, 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.

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 maturing 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 19 June 2015). 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.

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

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.

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 and is required to be implemented in Member States by 21 March 2016.

No assurance can be given that the final implementation of the Mortgage Credit Directive in the Republic of Italy 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.

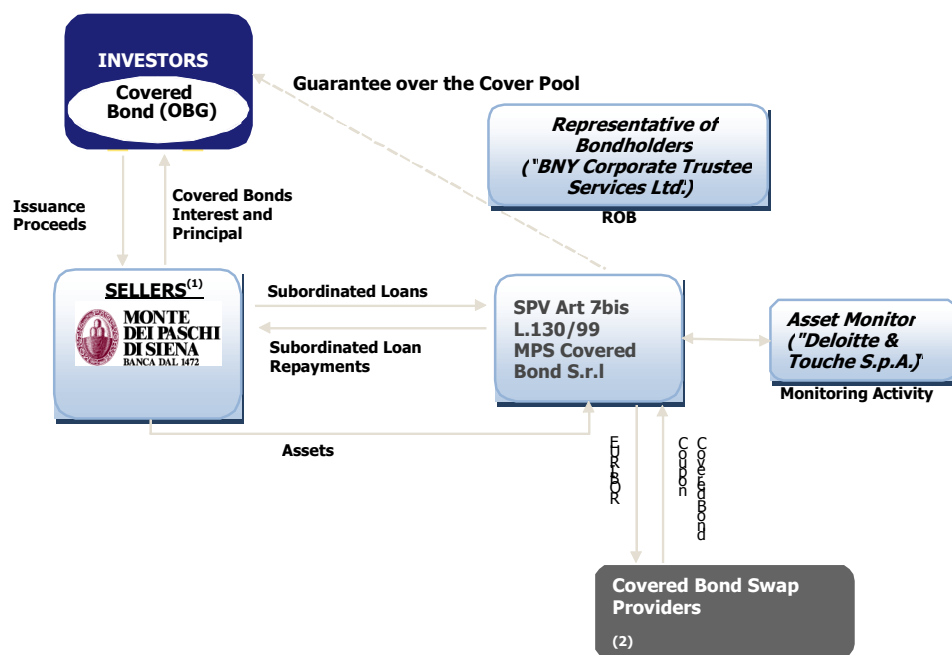
The terms and conditions applicable to any particular Series or Tranche of Covered Bonds will be the conditions set out in the section entitled "*Conditions of the Covered Bonds*", as completed in the relevant Final Terms or amended and/or replaced to the extent described in the Drawdown Prospectus. 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.

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| 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 " <i>Issuer, Principal Seller, Principal Servicer, Italian Account Bank, Pre-Issuer Default Test Calculation Agent and Principal Subordinated Lender</i> ". |
| 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 Via Carducci, 31, 20123 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 " <i>filiale di banca estera</i> " 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 Financial Laws Consolidation Act, having its

registered office at via Tortona 25, 20144 Milan, Italy.

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| 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 <i>società per azioni con socio unico</i> , 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; 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; 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;

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 be 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-Through 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-Through 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 2013 and 31 December 2014 including the relevant auditors' reports;
- (b) the unaudited quarterly consolidated financial report of the Issuer as at and for the period ended 31 March 2014 and 31 March 2015 including the relevant auditors' review report;
- (c) the financial statements of the Guarantor as at and for the years ended 31 December 2013 and 31 December 2014;
- (d) the auditors' report for the Guarantor for financial statements as at and for the years ended 31 December 2013 and 31 December 2014.

Such documents shall be incorporated 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 2013 and 31 December 2014, the auditor's report for the Issuer for the financial year ended 31 December 2013 and 31 December 2014 and the unaudited quarterly consolidated financial report of the Issuer as at and for the period ended 31 March 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 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 | 2013 | 2014 |
|--|---------------|---------------|
| Balance Sheet | Pages 121-122 | Pages 121-122 |
| Income Statement | Pages 123-124 | Page 123 |
| Cash flow statement | Pages 130-131 | Pages 129-130 |
| Notes to Financial Statements | Pages 133-456 | Pages 131-500 |
| Audit report | Pages 461-462 | Pages 513-514 |

| Unaudited quarterly financial report of the Issuer | 31 March 2014 | 31 March 2015 |
|---|----------------------|----------------------|
| Balance Sheet | Pages 67-68 | Pages 69-70 |
| Income Statement | Pages 69-70 | Pages 71-72 |
| Cash flow statement | Pages 76-77 | Pages 78-79 |
| Notes to Financial Statements | Pages 78-210 | Pages 80-203 |
| Auditors' review report | Pages 213-215 | Pages 206-208 |

| Financial statements of the Guarantor | 2013 | 2014 |
|--|--------------------------------------|--------------------------------------|
| Balance Sheet | Page 11 | Page 11 |
| Income Statement | Page 11 | Page 11 |
| Cash and cash equivalents | Pages 14 | Page 14 |
| Statements of changes in the Shareholders' Equity accounts | Page 13 | Page 13 |
| Supplementary Notes to the Financial Statements | Page 16-71 | Page 16-71 |
| Audit report | Separate document (see (d) above) | Separate document (see (d) above) |

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. In the event of any inconsistency between these Conditions and the relevant Final Terms, the relevant Final Terms shall prevail.
- (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, subparagraph 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 depository institution or trust company (or, in the case of the principal depository 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 | Eligible Investment Rating |
|--------------------------------------|----------------------------|
|--------------------------------------|----------------------------|

| up to 30 days: CB 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 (iii) 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 $(1 + \text{Negative Carry Factor} \times (\text{days to maturity of the relevant Series or Tranche of Covered Bonds}/365))$ 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-Through 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-Through 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 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 these 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 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 22 July 2015 [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 Redemption/Payment Basis:** or [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 subparagraphs 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))*
 - Specify Reference Rate *[•]*
 - Specify 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 [•]/[Not Applicable] *(If both the Early Termination Amount (Tax) and the Early redemption for taxation reasons or on 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."]

(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 / [•]

Calculated as [include details of method of calculation in summary form] on the Issue Date.

(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") is 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 is considered to be the oldest bank in the world and the Group is one of the leading banking institutions in Italy. It is the third-largest bank in Italy by assets⁷, with total assets of €188 billion as at March 31, 2015 (€183 billion as at December 31, 2014). The Bank offers the following banking products and services through its Retail, Corporate and Financial Advisory and Digital Banking operating segments:

- *Retail and commercial banking*: credit intermediation, traditional banking services, banking and insurance products through a strategic partnership with AXA, financial advisory services, asset management and wealth management and investment products in partnership with Anima Holding;
- *Consumer credit*: special-purpose loans, personal loans, “option” and revolving credit cards;
- *Leasing and factoring*: finance lease and factoring arrangements for businesses, artisans and independent professionals;
- *Corporate finance*: medium- and long-term lending, corporate finance, capital markets and structured finance;
- *Investment banking*: trading and global markets operations; and
- *Foreign banking*: products and services in support of commercial expansion and investments by Italian businesses abroad.

In September 2014, the Bank’s digital banking platform, Banca Widiba, became operational.

In addition to being Italy’s third-largest bank by assets, as at March 31, 2015, the Group:

- held €132 billion of deposits from customers (€126 billion as at December 31, 2014);
- held €111 billion of assets under management and third-party securities held on deposit (€106 billion as at December 31, 2014), of which €55 billion was assets under management (€52 billion as at December 31, 2014);

⁷ BMPS calculations based on Prometeia data at June 30, 2014 (Banking Analysis, period to April 2015).

- was one of the largest bancassurance operators with respect to life insurance products in Italy, with collected premiums of €5.6 billion and a market share of 5.3%⁸ (in each case for 2014);
- had total loans with customers of €123 billion (€120 billion as at December 31, 2014); and
- was present in specialized lending, with a market share of 2.9% in consumer credit, 2.7% in factoring and 2.9% in finance leases⁹. In terms of business finance, through its subsidiary MPS Capital Services, the Group offers a range of products and services to supplement traditional credit offerings.

As at March 31, 2015, the Group had a distribution network in Italy consisting of 2,185 branches, of which 40.2% were located in the north, 34.5% in central Italy and 25.3% in southern Italy, Sicily and Sardinia. In addition to its branch network, it also operates through 277 specialized commercial centres dedicated to serving particular client segments (such as private clients, SMEs and public-sector entities) and 115 financial advisory offices open to the public.

In its banking business, the Group has 5.3 million customers. Customers of the Group's commercial network are distributed relatively evenly throughout Italy, with a slightly greater concentration in central and southern Italy, and are classified into specific segments, each of which has its own service model that best meets the needs of those customers.

As at March 31, 2015, the Group's customers were categorized as follows:

- *Retail customers:* 5 million customers throughout Italy, with a greater presence in central Italy. 82.6% of these customers consisted of households, who predominantly required loans (consumer credit and mortgages) and investment services for modest investment portfolios (the "Value" segment (formerly "Family")). Another 10% of customers had more substantial portfolios and received a more personalized service (the "Premium" segment (formerly known as "Affluent")); 6.7% were small businesses (the "Small Business" segment); and 0.7% were higher net-worth customers (the "Private Banking" segment).
- *Corporate customers:* 61,300 clients, of which approximately 83.5% were small and medium enterprises ("SMEs"), and 14.2% were public-sector institutions, mostly in northern Italy (45.6%) but with a major presence also in central Italy (32.9%); and 2.3% customers within the "Large Corporate" segment (industrial groups, financial institutions and other large public- and private-sector customers).

Competitive Strengths

The Bank considers that the following strengths have enabled the Group to develop and consolidate its market position:

⁸ BMPS calculations based on internal data, as well as IAMA data (taken from the newsletter "Life assurance" iMonitor, March 2015).

⁹ Market share figures have been calculated on the basis of data compiled by the relevant trade associations (Assofin for consumer credit, Assifact for factoring and Assilea for finance leases) and which reflect changes over the course of 2014. Consumer credit market share is based on loans issued by Consum.it as well as those issued by Compass, a third party, but distributed by the Bank under a distribution agreement.

- *Client focus*: the Group has developed a philosophy, in its dealings with customers, of ensuring accessibility and service quality and transparency in its dealings with, and proximity to, its customers, which it believes enables it to attract new customers and foster a high degree of loyalty from existing customers.
- *Professional expertise*: training and development of Group personnel, to increase their range of skills, their sense of belonging to the Group, their level of professional expertise and their motivation, is a constant focus of the Group.
- *Deep geographical roots and support to the local economies in which it operates*: the Group has been a long-standing presence in its core geographical areas, where it represents a key port of call for financial services and advice for the community.
- *Attentive to change*: the Group is particularly sensitive to changes and opportunities in the markets in which it operates, and proactively works to develop products and services that will meet its customers' changing needs.
- *Quality of service*: the Group is constantly striving to improve the quality of its services, and was one of the first Italian banks to pursue an “open architecture” strategy so that its offering includes financial instruments structured or operated by firms outside the Group; this strategy is reflected in the strategic alliance with Anima Holding, in connection with asset management, and with the AXA group in banc assurance and the partnership with Compass (a Mediobanca Group company) in the consumer credit field.
- *Brand reputation*: the Group has a strong brand, distinguished by its long-standing tradition and identification with Italy, and positive attributes relating to innovation and client focus that have been developed over the years.

2. Group History and Development

BMPS has been operational since 1472, when its original status was approved by the General Council of the Republic of Siena. The Bank, which at the time was known as “Monte di Pietà”, was originally founded by the Republic of Siena in order to provide a controlled source of financing to the local community and with the primary purpose of preventing usury.

In 1624, the Bank changed its name to “Monte dei Paschi di Siena”, the term “paschi” referring to the pastures owned by the Grand Duchy of Tuscany, whose income was invested in support of the capital of the Bank. Following the unification of Italy in 1861, the Bank extended its activities beyond the immediate area of Siena. However, the Bank only began significantly expanding after World War I, both geographically (with the opening of about 100 new branch offices) and operationally (with the opening of various business operations for the collection of taxes on behalf of national and regional administrations). In 1936, Monte dei Paschi di Siena was declared a Public Law Credit Institution and organized with new articles of association which, although modified throughout the years, remained in force until 1995.

On August 14, 1995, BMPS was incorporated as a joint stock company, implemented in application of Law no. 218 of July 30, 1990, through the conferment of the banking company of Monte dei Paschi di Siena, a Public Law Institution. At that time, BMPS was primarily active in the banking sector and had a significant interregional presence as well as an offering of para-banking services, such as credit cards and bancassurance products.

On June 25, 1999, the Bank's initial public offering ("IPO") was completed, with its ordinary shares admitted to listing and trading on the Milan Stock Exchange, completing its transformation into a public company. In accordance with Article 5 of the Articles of Association, the Bank will be operational until December 31, 2100, without prejudice to any potential extensions required by law.

2000-2007

The IPO was followed by a period of intense geographic and operational expansion, which was marked by the following events:

- acquisition of shareholdings in certain regional banks with a strong territorial presence, including Banca 121 S.p.A. (previously Banca del Salento S.p.A.) and Banca Agricola Mantovana S.p.A.;
- strengthening of operational structures within strategic sectors of the market through the development of product companies (Consum.it, MPS Leasing & Factoring, MPS Capital Services, MPS Asset Management S.p.A. and MPS Banca Personale S.p.A.);
- development of commercial productivity in order to improve the level of assistance and consulting services offered to individuals with savings and to companies through the use of service models that are specialized in terms of client segments;
- consolidation of operations within certain areas of strategic importance, including private banking and pension schemes;
- implementation of an extensive program for the opening of new bank counters;
- strengthening bancassurance operations and offerings relating to pension schemes through a strategic alliance with the AXA group; and
- acquisition of a 59% stake in Biverbanca from Intesa Sanpaolo S.p.A.

2008-2011

Acquisition of Banca Antonveneta and the consequent restructuring

During this period, steps were taken that were primarily aimed at developing the organizational and distribution structure of the Group to generate operating efficiency and optimize capital, as well as increasing the value of the new production structure, through more specialized products and services.

On May 30, 2008, following authorization by the Bank of Italy (granted on March 17, 2008), the Bank completed the acquisition of Banca Antonveneta from Banco Santander, S.A. for a consideration of €9 billion, in addition to more than €230 million of interest on this sum.

The acquisition of Banca Antonveneta was financed through the use of equity and debt instruments as well as a bridge loan. In particular, the financing comprised the following:

- a rights offering pursuant to Art. 2441, paragraph 1, of the Italian Civil Code (whose terms and conditions were approved by the Board of Directors of BMPS on April 24,

2008) of new ordinary, savings and preferred shares for an aggregate value, including the price premium, of €4,974 million;

- a rights offering reserved to J.P. Morgan for a total value of €950 million, approved by the Board of Directors of BMPS on April 10, 2008. Subsequently, on April 16, 2008, BMPS acquired from J.P. Morgan usufruct rights on these shares, in accordance with Art. 2352 of the Italian Civil Code, for a term of 30 years. As consideration for the usufruct rights, BMPS agreed to pay an annual fee, provided the Bank has distributable net income and pays dividends in cash during the relevant years. The amount of such payment must not exceed the difference between distributable net income and dividend paid. Voting rights on the shares arising in connection with the usufruct rights are suspended for so long as the usufruct rights in favor of BMPS are valid and no dividend rights are ascribed to them;
- a public offering by Banca Monte dei Paschi di Siena S.p.A. of Variable Rate Subordinated Upper Tier II 10-year bonds, maturing in 2018. Following this offer, BMPS then issued, on May 15, 2008, additional bonds for a nominal amount equal to €2,161 million; and
- a bridge loan entered into on April 24, 2008 with a syndicate of banks for an aggregate amount of up to €1,950 million, repaid during the course of 2009 through the sale of non-strategic assets.

Subsequently, Banca Agricola Mantovana S.p.A. was merged into BMPS, effective as of September 21, 2008.

The merger by incorporation deed of Banca Antonveneta into BMPS was dated December 22, 2008, with statutory effect as of December 31, 2008 and accounting and tax effect as of June 1, 2008. At the same time, an entity with a value of €3.2 billion, including, among other assets, more than 400 branches, was transferred to a newly incorporated company named “Banca Antonveneta S.p.A.”, a company entirely controlled by BMPS.

In December 2009, the MEF agreed to acquire an aggregate amount of €1.9 billion of the Bank’s convertible bonds, convertible into ordinary shares of the Bank and to be issued by BMPS (the “Tremonti Bonds”).

Other transactions in 2008-2011

In April 2008, the Bank of New York (Luxembourg), S.A. issued on a trust basis floating rate equity-linked subordinated hybrid preferred securities (the “FRESH 2008”) convertible into ordinary shares of BMPS.

In December 2008, BMPS and Deutsche Bank AG entered into three separate total return swap transactions on an aggregate nominal amount of €2 billion, 4.5% BTPs, maturing in 2018 and 2020. The underlying BTPs were later replaced with BTPs bearing interest at 6% and maturing in 2031. These transactions, collectively referred to as the Santorini transaction, were subsequently amended and restructured between 2009 and 2011, and at the time of the related settlement agreement entered into with Deutsche Bank AG in December 2013, which closed out the transaction.

Chianti Classico, carried out between 2009 and 2010, concerned the value enhancement and reorganization of part of the Group's business properties with the aim of pursuing the following objectives: (i) reorganizing and enhancing the value of real estate assets; (ii) enabling the resulting strengthening of the Group's capital structure in terms of Tier 1 to be achieved without the need to resort to the capital markets; and (iii) generating additional liquidity.

In 2009, the Group entered into the Alexandria swap transaction with Nomura in respect of a nominal amount of €3.05 billion of Italian government bonds, subsequently the subject of ongoing litigation.

European Banking Authority Stress Tests and Capital Strengthening Measures

On July 15, 2011, the EBA announced the outcome of the "2011 Stress Tests", which it conducted in collaboration with the ECB, the European Commission, the European Systemic Risk Board and national Supervisory Authorities. The application of stress tests, which involved 90 banks, including the Monte dei Paschi Group, from 21 EU member states, aimed to assess the resistance of European banks to a hypothetical and serious worsening of economic conditions and their respective levels of solvency in the case of potential stress scenarios arising from certain specified conditions. According to the results of the stress test applied to the Monte dei Paschi Group on a consolidated basis, the Group met the capitalization benchmark set for the stress test and would continue to guarantee the maintenance of an appropriate level of capitalization.

Also in 2011, in response to prolonged sovereign debt crisis, the European Union approved measures designed to reestablish trust in the banking sector, including making available medium-term financing and requiring that banks involved (71 international banks, including BMPS) strengthen their capital through the formation of an extraordinary and temporary buffer that would allow them to attain a Core Tier 1 Ratio of 9% by June 30, 2012. With regard to BMPS, the EBA capital adequacy review revealed a need to strengthen capital by €3,267 million. As a result, the Group presented the Bank of Italy with a strategic plan—also to be presented to the supervisory board and the EBA—to attain the objective of a 9% Core Tier 1 Ratio within the established deadlines. During the course of 2011, the following measures were taken:

- the conversion of the non-cumulative floating rate guaranteed convertible FRESH preferred securities ("FRESH 2003"), issued by MPS Capital Trust II and convertible into BMPS ordinary shares. Following a tender offer for these securities—for €152.2 million, implemented at the time of the rights offering which was completed on July 20, 2011—BMPS, on December 30, 2011, received an additional conversion request for a total amount of €289.8 million, against which 136,698,112 BMPS ordinary shares were issued at the conversion price of €2.12; and
- a decrease in RWA as a result of overall asset dynamics, restructuring of assets in order to assume less risky and/or more secured investments and, finally, ordinary maintenance operations in relation to risk measurement parameters.

On July 20, 2011, the Bank completed a rights offering of 4,824,826,434 newly issued ordinary shares, equal to 41.79% of the new share capital of the Bank, for €2,152 million. In particular, and for the period between June 20, 2011 and July 8, 2011, 6,694,944,400 option rights were exercised and therefore a total of 4,820,359,968 newly issued ordinary shares

were subscribed, equal to 99.91% of the total offered shares, for an aggregate of €2,150 million. All 6,203,425 rights that were not exercised at the end of the offer period were sold on July 13, 2011 (in the first stock exchange session for the offer of the unexercised rights on the part of BMPS through Mediobanca—Banca di Credito Finanziario S.p.A., in accordance with art. 2441, paragraph 3, of the Italian Civil Code) and subsequently exercised by July 20, 2011 with the underwriting of 4,466,466 ordinary and newly issued shares, equal to 0.09% of the total offered shares, for an aggregate of €2 million.

2012

During the course of the year, a new Board of Directors was installed, the position of Chief Executive Officer was created and an officer appointed, senior management was replaced and the scope of the roles of certain managers with strategic responsibilities was changed, including that of the Chief Financial Officer, the Chief Operating Officer and the directors of the Human Resources Department, the Risk Management Department and the Network Department.

In addition to the initiatives completed in 2011, the following securities offerings were carried out during the first half of 2012 in order to achieve a 9% Core Tier 1 Ratio by the end of June 2012:

- a rights offering of €752 million pursuant to Art. 2442 of the Italian Civil Code by transferring the share premium reserve on 295,236,070 FRESH 2008 Shares to the share capital; and
- 18,864,340 savings shares were converted into ordinary shares at par value (leaving no remaining savings shares).

The Board of Directors approved the Prior Business Plan on June 26, 2012, but it was subsequently superseded by the Restructuring Plan.

The two plans to merge Agrisviluppo S.p.A. and Ulisse 2 S.p.A. into BMPS were approved on April 27, 2012 at the extraordinary shareholders' meeting.

On June 27, 2012, BMPS extended an invitation to holders of nine series of subordinated securities (Tier 1, Upper Tier 2 and Lower Tier 2) to present offers to exchange their securities for new senior fixed-rate securities denominated in Euro and maturing in 2015, to be issued as part of a debt issuance program of €50,000 million. As a result of the offer, BMPS accepted securities with a nominal value of €1,007 million for exchange. Such securities represented 30.74% of the total nominal value/liquidation preference of the then outstanding securities, which totaled €3,278 million. The Bank issued new securities of €790 million in denominated nominal value and delivered them to the holders of the existing securities on July 10, 2012, the date of payment of the existing securities BMPS accepted in exchange. Completion of the transaction allowed the Group to record a gross capital gain of €227 million.

On July 27, 2012, BMPS sent Spoleto Credito e Servizi a notice of cancellation of the shareholders' agreement it had signed on March 30, 2010 (the "Banca Popolare di Spoleto Shareholders' Agreement") with the shareholders of Spoleto Credito e Servizi, in respect of 22,972,924 ordinary shares, or 77.22% of the total share capital, of Banca Popolare di Spoleto in which BMPS held a 26.005% stake.

On December 28, 2012, BMPS completed the sale of its 60.42% stake in the share capital of Biverbanca to Cassa di Risparmio di Asti S.p.A.

Also in 2012, as part of, and following, the Group reorganization that saw the renewal of the Board of Directors, and the management changes described earlier, the Bank simplified its organizational structure with the aim of more effectively managing the Group and enabling management to more easily adapt to changing market conditions. The principal steps taken were:

- formation of the Risk Management Department and concentrating risk measurement model development and validation and the definition of policies on taking credit risks and their monitoring of it, so that the company risk monitoring activities are concentrated in a single department;
- formation of the General Administrative & Corporate Affairs Division;
- formation of the Compliance and Legal Department;
- unification of the finance responsibilities and activities with the treasury and capital management activities in a single department reporting to the Chief Financial Officer in order to guarantee more effective management of the Group's ALM and optimal monitoring of the liquidity;
- transfer of the hierarchical relationship of the Internal Auditing Division from General Management to the Board of Directors to ensure greater independence of the internal control body;
- set-up of the Deputy General Sales Management Department that reports directly to the Chief Executive Officer/General Manager, responsible for overall management of the Group's commercial activity with all client segments. It is also responsible for coordinating both the marketing and sales activities in order to maximize effectiveness of the overall commercial efforts;
- centralization of responsibilities connected with the credit management of the Receivables Department to ensure that executive credit management is separated from the commercial area and strengthened monitoring of credit quality that focuses on spreading the credit culture throughout the sales network;
- creation of the Human Resources and Internal Communications Department that reports directly to the Chief Executive Officer/General Manager in order to guarantee maximum focus on this strategic theme; and
- creation of the Chief Operating Officer role to improve focus on Group operations management.

2013

The Bank continued to restructure in 2013, with the following changes (among others) being made:

- the creation of the Risk Management Division, reporting to the Chief Executive Officer/General Manager;

- the creation of the Credit Collection Division reporting to the Receivables Division after MPS Gestione Crediti Banca was merged into BMPS;
- the transfer of the Compliance Division to the Risk Management Division, which was renamed Risk Management;
- the creation and transfer of the Legal and Corporate Affairs Division to fall under the supervision of, and to report to, the Chief Executive Officer/General Manager; at the same time, the Compliance and Legal Department was dissolved;
- the formation of the new Private Banking Division; and
- the formation of the Online Banking Development Division, reporting directly to the Chief Executive Officer/General Manager.

New managers of the Legal and Corporate Affairs Division, “online banking” services and the Administration and Financial Reporting Division were also appointed as part of the management restructuring activities.

On March 1, 2013, the Board of Directors brought liability and indemnification actions with regard to several structured transactions carried out in previous years. More specifically, it commenced the following legal proceedings before the Civil Court of Florence pursuant to a resolution passed by the Board of Directors:

- a corporate liability action against the former Chairman, Giuseppe Mussari, and the former General Manager, Antonio Vigni, and a non-contractual liability action against Nomura International plc for its complicity with the above-mentioned Bank representatives, in connection with the financial restructuring transaction concerning the Alexandria notes initiated in July-October 2009; in connection with these actions, the Bank has also claimed compensation from all the defendants on a joint basis for damages sustained, and being sustained, by the Bank as a result of the transaction; and a corporate liability action against the former General Manager, Antonio Vigni, and a non-contractual liability action against Deutsche Bank AG for its complicity with the above-mentioned Bank representative in connection with the so-called Santorini total return swap transactions initiated in December 2008; in connection with these actions, the Bank has also claimed compensation from all the defendants on a joint basis for damages sustained, and being sustained, by the Bank as a result of the contested transactions.

On March 1, 2013, BMPS and the trade unions (FABI—Independent Federation of Italian Bank Workers; FIBA—Italian Banking and Insurance Federation; UGL—Italy’s General Labor Union and UILCA—UIL Credito, Esattorie e Assicurazioni—Italian Union for the Credit and Insurance Sectors) accepted the requests submitted by employees to join the Solidarity Fund in implementing the agreement the parties reached on the Prior Business Plan on December 19, 2012. Following the decisions taken, the expected redundancies would affect approximately 1,660 employees. On March 28, 2013, the BMPS Board of Directors approved the results of financial year 2012 and resolved to call the ordinary shareholders’ meeting on April 29 and 30, 2013 (first and second call, respectively), among other things, to approve the financial statements as at December 31, 2012 and to decide on initiating the liability action against the former corporate representatives pursuant to Art. 2393 of the Italian Civil Code.

The merger by incorporation deed of Banca Antonveneta into BMPS was signed on April 23, 2013, with the statutory effects starting on April 28, 2013 and with the accounting and tax effects starting on January 1, 2013.

On April 29, 2013, the ordinary shareholders' meeting of the Bank approved, among other things, the consolidated financial statements as at December 31, 2012 and ratified the resolution passed by the Board of Directors regarding the liability action initiated on March 1, 2013 against the former corporate representatives.

The merger by incorporation deed of MPS Gestione Crediti Banca into BMPS was signed on May 6, 2013, with the statutory effects starting on May 12, 2013 and with the accounting and tax effects starting on January 1, 2013.

On July 5, 2013, it was confirmed that the Banca Popolare di Spoleto Shareholders' Agreement was terminated on June 30, 2013.

On July 18, 2013, the extraordinary shareholders' meeting of the Bank approved several statutory changes mainly concerning the elimination of the 4% shareholding limits, the introduction of the maximum limit of two consecutive mandates following the first for members of the Board of Directors (except for the outgoing Chief Executive Officer), the adoption of the new regulation governing gender quotas and the introduction of the age limit for members of the Board of Directors, the Chairman and the Chief Executive Officer (75, 70 and 67, respectively). The ordinary shareholders' meeting then approved the election of Mr. Franco Michelotti to the office of alternate auditor replacing Mr. Gianni Tarozzi, who had resigned in May 2013.

On November 8, 2013, the online bank Banca Widiba, was incorporated as a wholly owned subsidiary of BMPS to conduct online banking activities for the Group beginning in the second half of 2014. The Bank of Italy has authorized Banca Widiba to conduct banking activities and investment services set out under art. 1, paragraph 5, of the Consolidated Finance Act: (a) dealing on own account; (b) execution of orders on behalf of client; (c) underwriting of financial instruments and/or placement of financial instruments, on a firm commitment basis, (c-bis) placing of financial instruments with a firm commitment; (d) portfolio management; (e) receipt and transmission of orders of financial instruments; and (f) investment advice.

On December 19, 2013, the Bank entered into a settlement agreement with Deutsche Bank AG in connection with the Santorini transaction.

Restructuring Plan

The Bank's Board of Directors approved the Restructuring Plan on October 7, 2013. The Restructuring Plan was prepared in keeping with the guidelines shared with the MEF and the competent European Commission offices.

The Restructuring Plan was sent to the MEF for subsequent notification to the European Commission, which published its approval of the Restructuring Plan on November 27, 2013.

The Restructuring Plan contemplates achieving a net profit of roughly €900 million and a return on total equity ("RoTE") of about 9% by 2017, with more ambitious goals than those set out in the Prior Business Plan. The 2017 targets under the Restructuring Plan include:

- reducing the number of employees by approximately 8,000;
- reducing the other administrative expenses by approximately €264 million between 2013 and 2017;
- closing 550 branches by 2015 (including the 335 already closed between December 2012 and June 2013);
- increasing revenues (in terms of compound annual growth rate (“CAGR”) during the period 2013-2017) by 7%;
- decreasing operating costs (again in terms of CAGR during the period 2013-2017) by 2.1%;
- achieving a costs to revenues ratio of approximately 50%;
- reducing cost of credit to 90 basis points (calculated to exclude loans represented by debt securities issued);
- achieving a ratio of loans to total direct deposits of approximately 90% (about 101%, net of institutional funding); and
- achieving a Common Equity Tier 1 Ratio “phased in” of approximately 10%.

The Restructuring Plan also contains initiatives aimed at total redemption of the New Financial Instruments by 2017. Upon completion of the Rights Offering, the Bank intends to repay in full the outstanding €1.071 billion in nominal amount of New Financial Instruments ahead of the deadlines provided for in the Restructuring Plan and notify to the European Commission the New Objectives as approved by the Bank’s Board of Directors on May 8, 2015.

For further information, see “*Strategy*”.

Outsourcing of back office services

As part of the optimization of ancillary accounting and administrative services (the “Back Office Services”), on December 30, 2013, with effect as of January 1, 2014, the Bank transferred the entity performing Back Office Services to Fruendo S.r.l., a company in which Bassilichi S.p.A. owns a 60% share, and Accenture S.p.A., 40%. The Bank, along with other companies of the Group, concurrently signed outsourcing contracts for a period of 18 years with Fruendo S.r.l. and with Accenture S.p.A. for the outsourcing of the Back Office Services.

As a result of the outsourcing of the Back Office Services, approximately 1,100 BMPS employees will be transferred to Fruendo S.r.l. and it is estimated that other consequences will include: (i) a structural cost reduction of 22% (net of personnel expenses and other administrative expenses), averaged on an annual basis; (ii) the creation of a center of excellence in the quality of services for the Bank’s branches and end-customers, through process innovation and technology; and (iii) the creation of a major new industrial reality, able to serve from a platform of optimized financial services.

The Santorini settlement

In December 2013, the Bank entered into a settlement agreement with Deutsche Bank AG, which terminated the Santorini transactions.

3. Recent developments

2014

On January 27, 2014, the deed of merger by incorporation of Monte Paschi Ireland Limited into BMPS was signed, with statutory effect from February 11, 2014, and with accounting and tax effect, from January 1, 2014.

On January 30, 2014, the Board of Directors approved a new organizational structure of the Bank, aimed at strengthening its commercial presence and integrating corporate governance and business support. In particular, the following divisions were created, with direct reporting to the Chief Executive Officer/General Manager:

- General Credit Department (formerly Credit Department), confirming the strategic importance of the supervision of this division;
- General Finance and Operations Division, to manage governance and business support, with the aim of ensuring greater focus and uniformity of guidelines for the activities within the ambit of the Chief Financial Officer and Chief Operating Officer;
- Retail and Network Division, to oversee the Retail and Private segments and coordinate the sales network;
- Corporate and Investment Banking Division, in charge of the corporate customer segment, Large Groups, International Activities and Private Equity; and
- Human Resources, Organization and Communications, which bring together the functions of the external organization and communication, previously handled by three separate departments, in order to facilitate effective interaction among human resource management, the Bank's organizational structures and internal and external communication.

In addition, the group formed for the development of the new online bank, "Banca Widiba", was expanded to include the financial advisory business.

On January 14, 2014, the Bank entered into an agreement with Compass S.p.A., a leader in consumer credit and part of the Mediobanca Group, enabling the Group to sell Compass' loans in its branches, thereby complementing the current range of products offered by Consum.it with additional solutions in terms of duration, amount and types of loans.

In April 2014, the Bank's shareholders approved amendments to the Bank's Articles of Association, in respect of, among other matters, gender balance on the board and board of statutory auditors, and increased the minimum number of independent directors on the board.

In July, 2014, the Bank repaid approximately €3 billion nominal amount of New Financial Instruments following completion of the 2014 Rights Offering for approximately €5 billion.

In August, 2014, we signed an agreement (modified in November) with all of the Bank's trade unions regarding early retirement schemes and the activation of the industry-wide

Solidarity Fund in connection with the Bank's intended headcount reduction involving over 1,400 staff.

In September, 2014, our online bank, Banca Widiba, became operational.

Further to the ECB's announcement of the results of its Comprehensive Review in October and the Board of Directors' approval of the related Capital Plan in November, the Bank instructed Citigroup and UBS as financial advisors to assist with the structuring and implementation of the activities foreseen by the Capital Plan, as well as to evaluate all strategic opportunities available to the Bank, including an eventual merger or other similar corporate action.

In December, 2014, we merged MPS Immobiliare, a wholly owned subsidiary of the Bank, into BMPS. The accounting effects of such merger are reflected in our 2014 Audited Consolidated Financial Statements as of January 1, 2014. We also completed the sale of a non-performing loan portfolio to a securitization vehicle financed by affiliates of Fortress Investment Group LLC, having sold another such portfolio to the same parties in June 2014. The two portfolios consisted of approximately 16,000 secured and unsecured medium- and long-term loans, with a total book value, prior to provisions, of approximately €1 billion.

Also in 2014, the Group undertook certain measures with respect to its common equity and corporate governance, effecting a 100-for-1 reverse stock split in May, as well as adopting amendments to its Articles of Association to provide for gender balance on its Board of Directors and Board of Statutory Auditors and to increase the minimum number of independent directors on its Board.

The Comprehensive Assessment

The Bank was one of 130 European banks subject to the Comprehensive Assessment conducted by the ECB during the course of 2014, in cooperation with competent national authorities of the EU member states participating in the Single Supervisory Mechanism.

The Comprehensive Assessment had three principal objectives: (1) transparency (improving the quality of information available on the condition of banks); (2) repair (identifying and implementing any necessary corrective actions); and (3) confidence building (assuring all stakeholders that banks will be fundamentally sound and trustworthy once corrective measures have been taken). Banks for which capital deficiencies emerged with respect to a specific reference parameter, such as the Bank, were required to adopt corrective measures whose application shall be overseen by the ECB.

The Comprehensive Assessment had two main components: (i) an asset quality review ("AQR"), which was a point-in-time assessment of the accuracy of the carrying value of banks' assets as of December 31, 2013 and a starting point for the stress test; and (ii) a stress test, which provided a forward-looking examination of the resilience of banks' solvency to two hypothetical scenarios—a "base case" scenario and an "adverse" scenario—over the period 2014-2016, which also reflected new information arising from the AQR. The capital benchmark was set at 8% for the Common Equity Tier 1 Ratio, as defined under CRD IV and CRR I, both for the AQR and for the stress-test scenario.

Based on the tests and measures the ECB conducted with respect to the Bank, it concluded that the Bank had:

- a Common Equity Tier 1 Ratio in the base case scenario of 8.8%, above the required minimum threshold of 8%;
- a Common Equity Tier 1 Ratio of 9.5% on the basis of the AQR; and
- a capital shortfall of €2.1 billion in the “adverse” scenario, with a Common Equity Tier 1 Ratio of 2.7%, below the required minimum threshold of 5.5%.

2015

In addition to the Comprehensive Assessment, the Bank was also subject to the ECB’s SREP, a process designed to evaluate whether the banks subject to ECB review possessed procedures, strategies and processes appropriate for the levels of risk they faced. On February 10, 2015, the ECB communicated the results of the SREP to the Bank, which were “overall unfavorable”, requiring (*inter alia*) that the Group, following the Rights Offering, attain, and maintain at all times, a Common Equity Tier 1 Ratio of 10.2% and a Total Capital Ratio equal to 10.9% (each on a transitional basis). In light of these requirements, the Board of Directors voted to put to a shareholder vote an increase in the size of the Rights Offering approved in November 2014 as part of the Capital Plan, from €2.5 billion to €3 billion. The shareholders approved the Rights Offering on April 16, 2015. In March, the shareholders of MPS Leasing & Factoring approved a rights issue of €500 million.

At the April meeting, the shareholders also approved a reduction in the Bank’s share capital by one third as a result of the losses incurred for the previous year, and approved the new Board of Directors and Board of Statutory Auditors, in each case for a term lasting through the approval of the 2017 annual financial statements.

Also in April, in furtherance of the Bank’s commitment under the Capital Plan to sell non-core assets, the Bank entered into a preliminary sale and purchase agreement with Poste Italiane S.p.A. (“Poste”) for the sale of the Bank’s entire shareholding in Anima Holding. At the time of the agreement, the Bank’s holding represented 10.3% of Anima Holding’s total outstanding share capital. Consideration, subject to certain purchase price adjustments, was €210 million, and fulfillment of conditions precedent must occur by July 15, 2015.

Notwithstanding the sale of the Bank’s interest in Anima Holding, the commercial relationship between the two parties will continue unchanged, as provided for under the existing Framework Agreement and under existing commercial agreements.

In May, following an unsuccessful attempt to sell our consumer credit business, Consum.it, our wholly owned subsidiary, we merged it into BMPS, with accounting effect from January 1, 2015 and legal effect from June 1, 2015.

On May 8, 2015, the Bank’s Board of Directors approved amendments to the financial and capital targets set forth under the Restructuring Plan. For information on those amended objectives, see “Strategy”.

On May 12, 2015, the ECB authorized the Bank to take into account the Rights Offering when calculating Common Equity Tier 1 and, following completion of the Rights Offering, to repay in full the remaining New Financial Instruments. In communicating its approval to the Bank, the ECB stressed its view that the Rights Offering, alone, is insufficient to remedy the Bank’s structural problems (namely, high non-performing exposures, difficulty reaching

adequate levels of profitability and generating capital) and again underscored the necessity for BMPS to address these issues and to restructure the Bank, including by way of a merger and acquisition.

The Bank believes that the successful completion of the Rights Offering, in addition to the measures already undertaken, will position it to comply with the SREP decision requirements, insofar as the required outcomes are within the Bank's control. The Bank has provided the ECB with the key milestones of this process, reflected in the Bank's update of its business plan published on May 8, 2015. The actions already undertaken in response to the SREP requirements include:

- completing additional capital generating initiatives totaling €220 million (including the sale of the stake in Anima expected to close by July 15, 2015);
- the approval of the Business Plan update, which contains well defined, specific actions on NPE management and reduction (including the targeted sale of further €5.5 billion NPE by 2018);
- identifying a path for returning to profitability starting from the three months ended March 31, 2015; and
- appointing strategic advisors that, together with the Bank's Board of Directors and CEO, are working in order to identify a strategic partner.

On June 19, 2015 Banca Monte dei Paschi di Siena S.p.A. ("BMPS") announces that the rights offering (the "Offering") for the subscription of 2,558,256,930 newly issued BMPS ordinary shares (the "New Shares") has been completed. The Offering, which was fully subscribed, raised total proceeds of Euro 2,993,160,608.10 and no New Shares were subscribed by the underwriters. During the Offering period, which commenced on 25 May 2015 and closed on 12 June 2015 (the "Offering Period"), 254,771,120 rights were exercised in respect of 2,547,771,200 New Shares, or 99.59% of the aggregate number of New Shares available in the Offering, for total proceeds of Euro 2,980,822,104.00. In accordance with art. 2441, paragraph 3, of the Italian civil code, BMPS offered 1,054,573 rights that were not exercised during the Offering Period (the "Unexercised Rights") on the Italian Stock Exchange (the "Stock Exchange Offering"). All of the Unexercised Rights were sold in the Stock Exchange Offering, during the first trading session of the Stock Exchange Offering on 16 June 2015. Following the Stock Exchange Offering, all 10,545,730 New Shares relating to the Unexercised Rights were subscribed. Pursuant to art. 2444 of the Italian civil code, the certification of the full subscription of the Rights Offering, including the updated share capital amount, will be filed for registration with the Siena Companies' Register within the timeframe as provided by the law.

On June 15, 2015 Banca Monte dei Paschi di Siena S.p.A. ("BMPS") announces that, following the results of the subscription period of the rights issue, as communicated on 12 June 2015, and on the basis of the agreement with the Ministry of Economy and Finance ("MEF"), has redeemed in full nominal value of Euro 1.071 billion of New Financial Instruments outstanding (through the payment of a total consideration of about Euro 1.116 billion, pursuant to the terms and conditions of the New Financial Instruments). Through such redemption, which follows the redemption of Euro 3 billion executed on 1 July 2014, 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.

On June 22, 2015 Banca Monte dei Paschi di Siena S.p.A. (“BMPS”) announces, pursuant to Article 85-bis of CONSOB Regulation No. 11971/1999, the new composition of the share capital of BMPS, following the execution of the share capital increase resolved by the shareholders’ extraordinary meeting held on 16 April 2015. In particular:

| Share capital (Eur) | Ordinary shares (No.) |
|---------------------|-----------------------|
| 8,758,683,020.70 | 2,814,082,623* |

*Regular dividend entitlement: 1 January 2015

On June 23, 2015 Banca Monte dei Paschi di Siena S.p.A. (“BMPS”) signed a binding agreement for the disposal pro soluto of a non performing loan portfolio consisting of consumer credits, personal loans, credit cards, originated by Consum.it to Banca IFIS S.p.A. and a securitization vehicle financed by an affiliate of Cerberus Capital Management, L.P.. The portfolio is composed of almost 135,000 borrowers with a total book value, gross of provisions, of approx. Euro 1 billion (Euro 1.3 billion including default interests and / or other charges that are transferred along with the capital). Impact of the disposal on BMPS’ profit and loss and balance sheet is negligible, while administrative and management benefits would be significant in light of number of the positions included in the portfolio being sold. The disposal is part of BMPS’s Business Plan 2015-2018 which includes numerous management actions to increase the recovery rates of non performing loans and the cure rates of substandard loans, including multi-annual and structured disposal process of non performing loans of approx. Euro 5,5 billion to be carried out in 2015-2018, of which approx. Euro 1 billion originated by Consum.it. The disposal of non performing loans originated by Consum.it (currently merged by absorption in BMPS) reflects not only to the indications received by the European Central Bank (ECB) on asset quality, but also the commitments taken with DG Competition of the European Commission in the context of the Restructuring Plan. Closing of the transaction is expected before 30 June 2015.

4. Ratings

The risk connected with the ability of an issuer to discharge its obligations under debt or money market instruments is commonly defined by reference to the credit rating assigned by independent credit rating agencies. Their evaluations and research may assist investors in analyzing the credit risks associated with financial instruments, since they provide indications regarding an issuer’s ability to fulfill its obligations. The lower the rating on the scale, the higher the risk the credit rating agency assesses of the issuer not fulfilling its obligations as they fall due, in a timely manner or in full. The outlook assessed by the credit rating agency indicates its view of the direction an issuer’s rating is likely to take in the short to medium term.

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.

The following table sets forth the ratings these credit rating agencies have assigned to the Bank, as at May 21, 2015.

| Rating agencies | Short-term debt | | Long-term debt | | Last revised | |
|------------------------|------------------------|---|------------------------|---|---------------------|--|
| | Rating | Outlook | Rating | Outlook | | |
| Moody's | NP ¹⁰ | - | B3 ¹¹ | Negative | April 22, 2015 | |
| Fitch | B ¹² | - | B- ¹³ | Stable | May 19, 2015 | |
| DBRS | R-2(low) ¹⁴ | Under review (negative implications) | BBB(low) ¹⁵ | Under review (negative implications) | May 20, 2015 | |

On June 14, 2013, at the Bank's request, Standard & Poor's announced the withdrawal of its rating. At that time, the long-term rating had been changed to B, with negative outlook, and the short-term rating confirmed as B.

The deterioration of the national and international economic environment, together with the sovereign debt crisis, were among the key factors that, beginning in 2011, resulted in downgrades to the ratings assigned to the Republic of Italy, the country's main financial institutions, including the Bank.

In determining the ratings assigned to the Bank, the agencies take into consideration and examine various indicators of the Group's performance, including its profitability and ability to maintain its consolidated capital ratios within set levels. If the Bank or a subsidiary that has been assigned a rating does not achieve or maintain the results measured by one or more indicators, or the Group does not succeed in maintaining its capital ratios within the set level, its rating may be downgraded or may be subject to other adverse rating action by the credit rating agencies, which may make obtaining funding more onerous, complicate access to the capital markets, have negative repercussions upon the Group's liquidity, and possibly mean the provision of greater amounts of collateral. Among the main uncertainties highlighted in the most recent opinions issued by credit rating agencies regarding the Bank were, in summary, the following:

¹⁰ In the Moody's ratings system, "NP" means "not prime" and indicates issuers that do not fall within any of the "prime" ratings categories.

¹¹ In the Moody's ratings system, debt rated "B" is considered speculative and subject to high credit risk, with the number indicating where such debt falls within that category (3 being the lowest).

¹² In the Fitch ratings system, "B" indicates that there is minimal capacity for timely payment of financial commitments, in addition to heightened vulnerability to near-term adverse changes in financial and economic conditions.

¹³ In the Fitch ratings system, "B" rating category indicates that material default risk is present, but a limited margin of safety remains. Financial commitments are currently being met; however, capacity for continued payment is vulnerable to deterioration in the business and economic environment.

¹⁴ In the DBRS ratings system, "R-2" indicates adequate credit quality. The capacity for payment of short-term financial obligations as they fall due is acceptable. May be vulnerable to future events or may be exposed to other factors that could reduce credit quality.

¹⁵ In the DBRS ratings system, "BBB" indicates adequate credit quality. The capacity for payment of short-term financial obligations as they fall due is acceptable. May be vulnerable to future events.

- *Moody's*: On April 22, 2015, following publication in March of its new ratings criteria for banks and the lowering of its expectation of state aid being granted to European banks subject to the Single Supervisory Mechanism, at which time it placed the Bank's individual rating (Baseline Credit Assessment, or BCA) of "caa2" on review for a possible downgrade, Moody's confirmed the BCA at its current rating but downgraded the Bank's long-term rating from B1 to B3, citing the shareholders' approval of the Rights Offering for €3 billion. (The full version of Moody's press release can be viewed on the rating agency's website: www.moody.com).
- *Fitch*: On May 19, 2015, Fitch downgraded the Bank's long-term Issuer Default Rating ("IDR") to "B-" from "BBB", with stable outlook. The downgrade follows Fitch's review of its ratings criteria to and the conclusion of its review of sovereign support, which it believes to be less likely to be granted to U.S., Swiss and European commercial banks following recent legislative, regulatory, and policy initiatives. Consequently, Fitch lowered its support rating from 2 to 5 and the support rating floor ("SRF") from BBB to "no floor". As a result of the result of the revision of the SRF, the long-term IDR is now driven by the Bank's standalone creditworthiness as expressed in its Viability Rating, which has been affirmed at B-. (The full Fitch statement is available on Fitch rating agency website www.fitchratings.com).
- *DBRS*: On May 20, 2015, following review of its ratings criteria and re-assessment of the outlook of a number of banks, DBRS affirmed the Bank's outlook as "Under review (negative implications)" and noted that such outlook also reflected DBRS' view of the decreased likelihood that banks will receive systemic support. On February 18, 2015, DBRS downgraded both the senior long-term and short-term debt ratings, which had been placed under review, following the results of the Comprehensive Assessment. The one-notch downgrade reflected the Bank's 2014 results. In DBRS's opinion, positive implications in the near term for the Bank are limited to potential integration with a stronger partner. (The full version of DBRS' Press Release can be viewed on the rating agency's website: www.dbrs.com).

Given the Bank's significant exposure to Italian sovereign debt, the Bank's rating may also be affected by the rating of the Republic of Italy, which, as at May 22, 2015, was higher than that of the Bank. Infact, the Republic of Italy has been assigned a rating of Baa2, with stable outlook, by Moody's, a rating of BBB+, with stable outlook, by Fitch and a rating of A (low), with stable outlook, by DBRS. Any deterioration in Italy's sovereign rating could lead to a further lowering of the Bank's rating, with a material adverse effect upon the Bank's and/or the Group's business, financial condition, results of operations and cash flows.

The Bank's access to the unsecured funding markets depends upon its credit standing. Any reduction in the rating assigned to the Bank, or withdrawal of one or more ratings, may have an unfavorable effect upon the ability of the Bank or the Group to access a number of liquidity instruments upon favorable terms, and the Group's ability to compete in the market, which could result in an increase in its costs of funding or require it to provide additional collateral in order to obtain liquidity, which may have a material adverse effect upon the Bank's and/or the Group's business, financial condition, results of operations and cash flows.

5. 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.

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 NFIs 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 NFIs, and on June 15, 2015 Banca Monte dei Paschi di Siena S.p.A. (“BMPS”), following completion of the Rights Offering, has redeemed in full nominal value of Euro 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 December 31, 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 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 December 31, 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 May 11, 2015,

and the merger will take legal effect on June 1, 2015, and accounting effect from January 1, 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 December 31, 2014, the Group recorded administrative expenses (including personnel expenses) of €2.514 billion¹⁶.
- *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 April 29, 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 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 Plan's monitoring trustee.

The New Objectives 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 Objectives"), 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 Objectives 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

¹⁶ 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.

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 Objectives 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 NFIs, 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 Objectives 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 Objectives 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.

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 Objectives diverges from 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 RoE was below the target set forth in the 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 Objectives, 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 Objectives.

In addition, although the Bank's commitment to dispose of its subsidiaries MP Banque, MP Belgio and MPS Leasing & Factoring, given the uncertainty around the timing and manner of meeting those commitments, the New Objectives 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 Objectives.

| Repayment of NFIs | 2014 | 2015 E | 2016 E | 2017 E | 2018 E |
|--------------------------|------------------------|---------------|---------------|---------------|---------------|
| | <i>(Euro millions)</i> | | | | |
| Required amount | 3,000 | 600 | 150 | 321 | NA |
| Actual/Estimate | 3,000 | 1,071 | | | |

The New Objectives contemplate compliance with the commitments under the Plan during the years 2015-2017

| Reduction in assets | 2014 | 2015 E | 2016 E | 2017 E | 2018 E |
|----------------------------|-------------------------------------|---------------|---------------|---------------|---------------|
| | <i>(Asset value, Euro billions)</i> | | | | |
| Required amount | 185-225 | 175-215 | 170-205 | 181 | NA |
| Actual/Estimate | 183.4 | | | | 176.6 |

The New Objectives contemplate compliance with the commitments under the 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 Objectives contemplate compliance with the commitments under the Plan during the years 2015-2016. With respect to 2017, the Bank will comply with its own interpretation of the commitments¹⁷

| 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 |
|-----------------------|-------------|---------------|---------------|---------------|---------------|
|-----------------------|-------------|---------------|---------------|---------------|---------------|

¹⁷ 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 December 31, 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.

| | | <i>(Euro millions)</i> | | | | |
|-----------------|--------|------------------------|-----------------|-------------|-------|-------|
| 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 Plan, diverges from what is required by the commitments with respect to net commissions, RoE and net income

Guidelines for achieving the New Objectives

The New Objectives 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, but given the uncertainties around the means and timing of any possible sale, potential effects are not reflected in the New Objectives.

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 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 Objectives 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 Objectives, 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 2018¹⁸; 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 REOCos 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 Objectives are set forth in the following table¹⁹. 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.

| | As at December 31, 2014 | 2015 Objective | 2018 Objective | CAGR 2014- 2018 |
|-----------------------------------|--|--|--|----------------------------|
| | <i>(€ billions exc ept ratios)</i> | <i>(€ billions exce pt ratios)</i> | <i>(€ billions exc ept ratios)</i> | % |
| 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% | |

¹⁸ On June 23, 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..

¹⁹ Note that although the Bank’s commitment to dispose of its subsidiaries MP Banque, MP Belgio and MPS Leasing & Factoring, given the uncertainty around the timing and manner of meeting those commitments, the New Objectives do not take into account any potential effects of such disposals.

| | As at December 31, 2014 | 2015 Objective | 2018 Objective | CAGR 2014- 2018 |
|---------------------------------------|--|--|--|----------------------------|
| | <i>(€ billions exc ept ratios)</i> | <i>(€ billions exce pt ratios)</i> | <i>(€ billions exc ept ratios)</i> | % |
| 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 NFIs.

(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 NFIs, the Bank's regulatory capital going forward will be improved. The New Objectives 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 |
|----------------------------|-----------------------------------|-----------------------|
| | <i>(€ billions except ratios)</i> | |
| 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 December 31, 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.

6. 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” and “French Certificats de Dépot” dedicated to French investors and the USD certificate of deposit programme issued under the BMPS New York Branch.

On a medium-term the BMPS Group covers the 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”.

7. 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 need 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.

8. 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.

9. 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 at the date of this Prospectus, there were numerous legal proceedings pending against the Bank, including civil, criminal and administrative actions. Some of these proceedings derive from the extraordinary and exceptional context related to criminal investigations ordered by the courts and others relate to legal affairs involving the Bank in 2012 and 2013. These relate to various transactions, including the following: financing transactions undertaken in connection with the acquisition of Banca Antonveneta; various financial transactions by the Bank, including the transactions relating to the restructuring of the Alexandria notes and of the Santorini transaction; previous rights offerings by the Bank in 2008 and 2011; and to 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 our former chairman of the 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 products.

As at March 31, 2015, a total of €431 million in provisions had been accrued for risks and charges in relation to legal proceedings. The Bank's provisions for risks and charges include, among others, allocations for possible losses on clawback actions and estimated disbursements in relation to customer complaints. These provisions are considered adequate to cover the potential liabilities that might result from the lawsuits underway as at March 31, 2015.

Our estimate of these contingent liabilities is based on the currently available information. Due to the many uncertainties characterizing these lawsuits, in order to estimate the value of such liabilities, we are required to make significant assumptions and evaluate various risks.

Disputes related to Criminal Investigations and Legal Affairs in 2012

Following the criminal investigations brought against the Bank in 2012, several additional criminal, sanctions and civil proceedings were initiated by our Supervisory Authorities, and by consumer associations and investors, as well as by the Bank itself. Generally speaking, our defense in these proceedings relies on a theory of mismanagement of the company and management irregularities that directly led to the reorganization of the Bank undertaken by the new management. This reorganization is aimed at finding the best strategy to protect the Bank, its assets and image. In keeping with this defense, the Bank has brought lawsuits against our former top management.

Criminal proceedings and investigations

Acquisition of Banca Antonveneta

On July 30, 2013, the Public Prosecutor at the Court of Siena issued a “notice of completion of preliminary investigations”, pursuant to art. 415-*bis* of the Italian Code of Criminal Procedure and art. 59 of Legislative Decree 231/2001, against certain former directors, executives and members of the Board of Statutory Auditors of the Bank and against the bank itself. The charges against the Bank as a legal entity included six administrative offenses (under Legislative Decree 231/2001) alleging crimes committed by former management in the context of transactions performed to raise financial resources for the acquisition of Banca Antonveneta.

The main offenses charged against Bank management in office between 2008 and 2011 include the following: market manipulation (under art. 185 of the Consolidated Finance Act), obstructing the exercise of public supervisory functions (under art. 2638 of the Italian Civil Code), fraudulent disclosure related to a securities offering (under art. 173-bis of the Consolidated Finance Act), fraudulent corporate disclosure related to press communication (under art. 2622 of the Italian Civil Code), and abuse of inside information (under art. 184(1.b) of the Consolidated Finance Act). In particular, the allegations arise from: (i) the dissemination of false or misleading information sufficient to significantly influence the price of the Bank’s shares in the context of the FRESH 2008 transaction; (ii) the omission of material information in Bank disclosures to the competent Supervisory Authorities, in particular, information about the Bank’s granting of indemnities in favor of J.P. Morgan (in 2008) and in favor of The Bank of New York (in March 2009) as well as information regarding certain amendments to a beneficial ownership agreement with J.P. Morgan; (iii) the failure to disclose the payment of fees to J.P. Morgan related to the usufruct agreement over shares acquired by the latter; and (iv) the announcement to certain public officials that the Bank had acquired Banca Antonveneta.

In these proceedings, the Bank’s line of defense was mainly based on the conduct of the former management, which evaded internal control mechanisms.

On October 2, 2013, Public Prosecutors filed an indictment, which launched the criminal proceedings against certain natural persons that held executive positions or belonged to the BMPS Board of Statutory Auditors at the time of the events. This indictment sustained the defenses advanced by the Bank and dismissed the original charges against BMPS.

During these proceedings, the Public Prosecutors issued a request to prosecute J.P. Morgan Securities plc, for an alleged administrative offense under Legislative Decree 231/2001 deriving from an alleged violation of art. 2638 of the Italian Civil Code, namely obstructing the exercise of public supervisory authority functions.

The first preliminary hearing against our former senior management, members of the BMPS Board of Statutory Auditors and J.P. Morgan Securities Ltd (now J.P. Morgan Securities plc) was held on March 6, 2014. Further to motions made by certain of the accused, the preliminary hearing judge declared that the Court of Siena lacked jurisdiction with the subsequent transfer of the hearing to the Public Prosecutor of the Court of Milan. The proceedings are still pending.

Alexandria

In the context of the transactions relating to the restructuring of the Alexandria notes, obstruction of justice charges were brought against our former management on the basis of their lack of cooperation with our Supervisory Authority. As at the date of this Prospectus, the Court of Siena has issued a verdict against Mr. Mussari, Mr. Vigni and Mr. Baldassarri. Our request to join the proceedings seeking civil damages was denied, as was a similar request made by consumer associations.

Under an April 16, 2013 judicial order, the Currency Unit of the Italian Tax Authority froze the assets of Nomura and certain members of the Issuer's former management in various Italian cities. A total of approximately €1.8 billion in Nomura assets were frozen. On April 15, 2013, the Siena Public Prosecutor had also announced a preventive sequestration of an amount equivalent to the penalties expected under the aggravated usury and aggravated fraud charges brought against Nomura for transactions related to the reorganization of our Alexandria notes. The Siena Preliminary Investigations Judge ("GIP") struck down this preventive sequestration with respect to the fraud charge, however, and the Public Prosecutor filed an appeal against the ruling before the Appeals Court, which confirmed the GIP's ruling. After a hearing by the Court of Cassation 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.

In a matter arising out of the facts underlying the restructuring of the Alexandria notes, following notice dated April 3, 2015 of the conclusion of its preliminary investigations, the Milan Public Prosecutor filed a request for trial against Messrs. 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 for misleading corporate declarations (*false comunicazioni sociali*) and of Article 185 of the Consolidated Finance Act, on market manipulation, committed in cooperation among them with relevant conduct under Articles 3 and 4, par. 1, of Law No. 146/2006 on transnational crimes.

The abovementioned claims arise out of the alleged concealment of the accrued losses related to the period ending on December 31, 2009 as a consequence of the investment in the Alexandria notes through the execution of the restructuring of the notes themselves and by the method in which they were recorded in the financial statements.

In relation to the crimes allegedly committed by the persons above, the Public Prosecutor also filed a request for trial in respect of the Bank and Nomura in relation to the administrative offences set forth under Articles 25-ter, letter c), and 25-sexies of Legislative Decree No. 231/2001. The Bank is also one of a number of subjects harmed by the abovementioned crimes. The preliminary hearing is scheduled for October 12, 2015.

Bank of Italy sanctions proceedings

Sanctions proceedings following 2011-2012 Bank of Italy inspections on the financial risks and risk-weighted assets.

Following the 2011-2012 inspections of the financial risks and procedures for determining risk-weighted assets of BMPS finance departments, the Bank of Italy undertook the following measures on March 28, 2013:

- accused the following natural persons of violating Article 53(1.b) of the Italian Consolidated Banking Law, related to minimizing financial risks: the members of the Board of Directors in office at the time of the events (Giuseppe Mussari, Ernesto Rabizzi, Francesco Gaetano Caltagirone, Carlo Querci, Andrea Pisaneschi, Alfredo Monaci, Lorenzo Gorgoni, Turiddo Campaini, Fabio Borghi, Frédéric-Marie de Courtois, Graziano Costantini, Massimiliano Capece Minutolo del Sasso), the members of the Board of Statutory Auditors (Tommaso Di Tanno, Marco Turchi, Paola Serpi), the General Manager and the Chairman of the Steering Committee (Antonio Vigni) and other members of the Steering Committee (Gian Luca Baldassarri, Marco Massacesi, Antonio Marino, Nicolino Romito, Fabrizio Rossi, Giancarlo Pompei, Angelo Barbarulo, Giuseppe Menzi);
- accused the above-mentioned members of the Board of Directors and the General Manager of violating Articles 53(1.b) and (d) of the Consolidated Banking Law relating to failures in the organization and in their internal audits;
- accused the above-mentioned members of the Board of Statutory Auditors of violating Articles 53(1.b) and (d) of the Consolidated Banking Law relating to failures in their internal audits; and
- imposed €5,065,210.00 in administrative sanctions on the Bank under Article 144 of the Consolidated Banking Law.

The Bank paid the above-mentioned sanctions as it was held jointly liable and did not challenge the decision. The Bank is pursuing legal recourse against the members subject to sanctions, but chose to suspend its recourse against members whose conduct, in the matters in question, was not found to be willful or due to gross negligence or where no corporate liability was found.

The recourse actions against Mr. Mussari, Mr. Vigni and Mr. Baldassarri were not suspended in light of the civil action against Mr. Mussari and Mr. Vigni and criminal investigations that led to the arrest of Mr. Baldassarri. On February 20, 2015, the Court of Florence (Specialized Business Section) declared that it lacked jurisdiction over the action and recognized the territorial jurisdiction of the Court of Siena, setting a deadline for the resumption of hearings.

Bank of Italy sanctions proceedings against former General Manager Mr. Antonio Vigni, related to financial benefits paid upon early termination

On July 25, 2013, the Bank of Italy served notice of a disciplinary action filed against certain members of the former Board of Directors (Massimiliano Capece Minutolo del Sasso, Graziano Costantini, Lorenzo Gorgoni, Giuseppe Mussari, Ernesto Rabizzi, Turiddo Campaini, Frédéric Marie de Courtois, Alfredo Monaci, Andrea Pisaneschi, Carlo Querci), members of the Board of Statutory Auditors (Tommaso Di Tanno, Paolo Serpi, Marco Turchi) and to the Bank. This proceeding accuses the above-mentioned persons of being jointly liable for violating Bank of Italy banking regulations relating to remuneration and incentive packages for members of the board of directors. This proceeding also accuses the Board of Statutory Auditors of failing to provide the necessary disclosures to regulators. The alleged violation concerns the €4 million payment to the former General Manager, Mr. Antonio Vigni, upon termination. The sanctions totaled €1,287,330.

The Bank paid the above-mentioned sanctions as it was jointly liable and did not challenge the decision. The Bank is pursuing legal recourse against the members subject to sanctions, but chose to suspend its recourse against members whose conduct, in the matters in question, was not found to be willful or due to gross negligence or where no corporate liability was found.

The recourse action against the former Chairman of the Board of Directors, Mr. Giuseppe Mussari, was not suspended. A hearing before the Court of Florence (Specialized Business Section) concluded on January 28, 2015 and the Bank awaits the court's decision.

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. 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 paid the above-mentioned sanctions, as it was jointly liable, and did not challenge the decision. As is the case with other sanctions described above, the Bank is pursuing legal recourse against the members subject to sanctions, but has chosen to suspend recourse against members whose conduct, in the matters in question, was not found to be willful or due to gross negligence, where no corporate liability was found and where criminal proceedings are not pending before the Siena Courts. As with the actions described above, such recourse is suspended only until all appeals against such decisions have been exhausted.

The Bank maintained its action against Messrs. Mussari, Vigni, Di Tanno, Fabretti, Pizzichi and Rizzi, and hearings before the Court of Florence (Specialized Business Section) concluded on January 27, 2015. A decision has yet to be handed down.

Under Articles 53 and 67 of the Consolidated Banking Law, the Bank of Italy decided on May 7, 2013 to exclude from the Bank's regulatory capital €76 million in shares issued in the FRESH 2008 transaction. This decision is based on the Bank of Italy's assessment that the indemnity granted to The Bank of New York (Luxembourg) S.A. in March 2009 (the "BoNY Indemnity 2009") substantively produces the same effects as a commitment to purchase the shares at the end of the term.

CONSOB sanctions proceedings

CONSOB disciplinary proceeding for disclosure irregularities in the 2008 rights offering

On April 22, 2013, CONSOB initiated sanction proceedings under Articles 94(2 and 3) and 113(1) of the Consolidated Finance Act for disclosure violations in the public offering and

admission to trading of the Bank's capital increase, approved by the shareholders' meeting of March 6, 2008.

The disputed disclosure mainly concerns the omission of information on total return swap agreements ("TROR") between the MPS Foundation and other financial counterparties that were structured to enable the foundation to subscribe a stake in FRESH 2008 equal to about 49% of the offering, indirectly and without immediate payment. This corresponded to the ownership share that the foundation held in the Bank at that time. The failure to provide adequate disclosure on the fundamental features of TROR allegedly prevented investors from forming an informed opinion on the Bank's capacity to raise additional capital without the external support of a third-party guarantor. This failure also potentially misled investors on the future structure of the Bank's shareholder base following the conversion of the FRESH 2008 securities into BMPS shares. Overall, the degree of the omissions allegedly prevented investors from adequately assessing the Bank's financial position, economic results and outlook. CONSOB announced on December 4, 2013 that it would issue a decision; however, at the date of this Prospectus, the decision is still pending.

The Bank and the Bank's former officers and Statutory Auditors are being pursued jointly. During the proceedings, the natural persons involved made counterclaims, but the Bank did not.

On April 17, 2014, CONSOB concluded the proceeding, issuing administrative sanctions of €450,000 against the Bank's former officers and statutory auditors, apportioned to the defendants according to the position held and the function actually performed.

The Bank has not presented an appeal against the decision and proceeded to the payment of penalties as a jointly liable party. The Bank does not plan to appeal either decision and has proceeded with the payment of the penalties on the basis of joint liability. It has taken initial steps to begin restitution proceedings against the former directors and auditor. Currently, no claims have been brought against the Bank on the basis of corporate responsibility, nor have there been any summons issued for related pending criminal proceedings at the Court of Siena.

CONSOB disciplinary proceeding for disclosure irregularities in the 2011 rights offering

On April 23, 2013, CONSOB initiated sanction proceedings under Articles 94(2) and (3) and 113(1) of the Consolidated Finance Act for disclosure violations in the public offering and admission to trading of the Bank's capital increase, approved by the shareholders' meeting of June 6, 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.

Additionally, CONSOB considered that four periodic fees, paid by the Bank to J.P. Morgan between July 2008 and April 2009 in accordance with the usufruct agreement under the FRESH 2008 transaction, should have been accounted for in a different manner, which would have had a direct effect on net worth. This decision was based on the characteristics of the obligations undertaken by the parties and the subsequent reclassification of accounts and financial statements relating to the shares underwritten by J.P. Morgan.

Despite the fact that additional information was incorporated by reference from existing financial disclosure into the related prospectus, the Bank was charged with accounting irregularities for allegedly preventing investors from making an informed assessment of the Bank's financial position, economic results and outlook as a result of the following alleged issues: (i) the usufruct fees; (ii) the effects of the BoNY Indemnity 2009; and (iii) the Alexandria and Santorini transactions that gave rise to the March 6, 2013 restatements.

The Bank and the Bank's former officers and statutory auditors are being pursued jointly. During the proceedings, the natural persons involved made counterclaims, but the Bank did not.

On April 18, 2014, CONSOB concluded the hearing, issuing administrative sanctions in the amount of €700,000 against the Bank's former officers and statutory auditors, apportioned among them according to the position held and the actual function performed.

The Bank has not presented an appeal against the decision and proceeded to the payment of penalties as a jointly liable party. The Bank does not plan to appeal either decision and has proceeded with the payment of the penalties on the basis of joint liability. It has taken initial steps to begin restitution proceedings against the former directors and auditor.

CONSOB disciplinary proceeding for disclosure irregularities in the issuance of other financial instruments between 2008 and 2012

On May 30, 2013, CONSOB initiated sanction proceedings under Articles 94(2 and 3) and 113(1) of the Consolidated Finance Act for disclosure violations in the registration documents published between June 2008 and June 2012; the claims also reference 27 prospectuses for the issue of bonds and certificates.

In these proceedings, the Supervisory Authority made claims similar to those made in disciplinary proceedings related to the 2011 rights offering mentioned above. These violations were also claimed against the Bank's then officers and statutory auditors and the Bank, as a jointly liable party under the law. During the proceedings, counterclaims were submitted by the natural persons involved, but not by the Bank. CONSOB, by resolution no. 18924 of May 21, 2014, concluded the sanctions proceeding for irregularities in the preparation of prospectuses relating to debenture loans and certificates published by the Bank between 2008 and 2012, imposing monetary sanctions of €750,000 on the then directors and auditors of the Bank. The fine is attributable to the individuals based on the office held, the time in office and the actual duties performed. The Bank has not sought to appeal the decision.

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 August 5, 2013, CONSOB initiated a further proceeding 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 October 1, 2008 between the Bank and JP Morgan Securities Ltd., and the swap entered into on April 16, 2008; and (ii) the termination agreement, signed on May 19, 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 June 30, 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 statement 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 pro tempore 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.

CONSOB sanction proceedings for violation of Article 187-ter of the Consolidated Finance Act

On the basis of accounting and financial statement irregularities related to the FRESH 2008 transaction, on June 28, 2013, CONSOB initiated sanction proceedings against our former Chairman of the Board of Directors, General Manager and Chief Financial Officer, in office at the time of the events, for violation of Article 187-ter of the Consolidated Finance Act. BMPS is also being pursued jointly with the above-mentioned natural persons in accordance with 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

our June 30, 2008 interim consolidated financial statements. The Bank is contesting its liability as a legal entity under Art. 187-quinquies of the Consolidated Finance Act, using the same defensive arguments that led to the dismissal of the charges against the Bank under Legislative Decree 231/2001.

CONSOB, by Resolution no. 18951 of June 18, 2014, concluded the proceedings and imposed monetary sanctions of €750,000 on each of the former Chairman, General Manager and Chief Financial Officer. As a result of such sanctions, each of them is disqualified for a period of 12 months from holding an office within specified types of companies, including auditors and financial intermediaries, or from holding administrative, management or supervisory positions in a listed company or any member of a listed company's group.

CONSOB has also ordered the Bank, as jointly and severally liable under Article 6, paragraph 3 of Law n. 689 of 1981, to pay the monetary sanctions imposed on the former chairman and officers. In addition, CONSOB has imposed on the Bank an additional monetary sanction of €750,000 in accordance with Article 187-quinquies, paragraph 1, letter a) of the Consolidated Finance Act for the violations committed by such persons in the Bank's interest. The Bank has paid the sanctions and filed an appeal in opposition (ricorso in opposizione) before the competent appeals court related to the sanction imposed under Article 187-quinquies, paragraph 1, letter a) of the Consolidated Finance Act.

As it did in previous proceedings, the Bank has initiated actions for contribution against the former Chairman, General Manager and Chief Financial Officer.

CONSOB sanctions proceedings for alleged violation of Article 115 of the Consolidated Finance Act

In resolution no. 18669 of October 2, 2013, CONSOB imposed €300,000 in administrative sanctions against BMPS for allegedly violating Art. 115 of the Consolidated Finance Act by not adequately responding to a request for information sent on April 13, 2012 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 appeal by the Bank, the Court of Appeals in Florence has reduced the previously imposed monetary sanction to €50,000.

CONSOB sanctions proceedings for violation of Article 149, Paragraph 3, of the Consolidated Finance Act

On March 5, 2014, CONSOB served notice that it was pursuing the Bank for violations of Article 149, Paragraph 3, of the Consolidated Financial Act and that the Bank would be held jointly and severally liable with the members of the Board of Statutory Auditors in office at the time of the facts. The charges are based on a failure to notify CONSOB of operational and organizational irregularities regarding the Bank's property financing discovered in 2010 by the Bank's internal audit department.

In line with the defense advanced by the Bank in the aforementioned sanctioning procedure brought by the Bank of Italy regarding its 2011-2012 inspections, and given the substantial correspondence on the underlying facts, BMPS has not filed a reply.

Having concluded its review of the merits, on October 6, 2014, CONSOB notified the Bank that it has started its investigatory phase. On May 13, 2015, the administrative sanctions

office at CONSOB sent the Bank a copy of the report containing the proposed resolution of the related proceeding. The report confirms the violation of Article 149, Paragraph 3 of the Consolidated Financial Act and the allegations against the members of the Board of Statutory Auditors in office at the time of the facts. Furthermore, the report confirmed the aforementioned violations and suggests that sanctions be issued, but the exact form such sanctions would take has not been communicated to the Bank. However, the contents of this report are a recommendation that will not bind the final CONSOB judgment. As of the date of the Prospectus, CONSOB has not notified the Bank of its final decision.

Civil Proceedings

Class action before the Court of Florence—Lawsuits filed by shareholders in relation to the rights offerings in 2008 and 2011

Associazione Difesa Consumatori ed Utenti Bancari, Finanziari ed Assicurativi (“ADUSBEP”), the Italian Association for the defense of bank, financial services and insurance consumers and users, filed a class action at the Court of Florence under Art. 140-bis of the Law Decree No. 206 of September 6, 2005 (“Consumer Code”), as special representative for certain investors/shareholders of the Bank. The suit is seeking damages resulting from inaccurate or misleading disclosure in our 2011 rights offering, with particular reference to data contained in the financial statements relating to 2010 and in the offering document. The Court, on March 14, 2014, declared the class action inadmissible, accepting the arguments advanced by the Bank and ordering ADUSBEP to pay costs. ADUSBEP’s subsequent appeal to the Florence Court of Appeals was dismissed. At the date of this Prospectus, ADUSBEP has not appealed the decision.

The Bank’s defense in these proceedings is based on the failure to fulfill the requirements for admitting the class action under Art. 140-bis of the Italian Consumer Code.

In addition to the claims by ADUSBEP, shareholders have brought 11 other actions for damages based on claims of misleading disclosure in the 2008 and 2011 rights offering on facts similar to those listed above, with specific reference to the information contained in the financial statements for the periods ended on, respectively, December 31, 2007 and December 31, 2010, and the offering documents related to the abovementioned rights offering. Those proceedings are currently pending before the Courts of Lecce, Bari, Milan and Naples.

The plaintiffs in these lawsuits are suing the Bank under art. 94 of the Consolidated Finance Act and seeking to void the securities sales on the basis of recklessness and/or error under the Italian Civil Code.

The damages sought in the suits mentioned above amount to about €44 million, in respect of which €3 million provisions were recorded as at December 31, 2014. The number of lawsuits filed by investors and claims for damages might increase significantly, as a result of the proceedings already underway and the court investigations begun in 2012.

As at February 19, 2015, approximately 460 claims for losses had been brought by individual investors based on the events mentioned above. Most of these petitions were filed on behalf of individual customers by a single lawyer and by ADUSBEP.

Derivative litigation filed by the Bank for restructuring of the Alexandria and Santorini transactions

On March 1, 2013, the Bank filed two separate proceedings for compensatory damages before the Court of Florence (Section Specializing in Business Matters). In the first proceeding, related to the Santorini transaction, the Bank filed a derivative suit under Arts. 2393 and 2396 of the Italian Civil Code against the former Director General, Antonio Vigni, as well as an action for damages pursuant to Art. 2043 of the Italian Civil Code against Deutsche Bank AG for complicity in obstruction and/or offenses attributable to Antonio Vigni. The petitum brought by the Bank, to be better specified in the course of proceedings, amounts to not less than €500 million.

In the second proceedings, in connection with the transactions relating to restructuring the Alexandria notes, the Bank filed a derivative suit under Arts. 2393 and 2396 of the Italian Civil Code against the former Chairman of the Board of Directors, Giuseppe Mussari, and the former Director General, Antonio Vigni, as well as an action for damages pursuant to Art. 2043 of the Italian Civil Code against Nomura for complicity in obstruction and/or offenses attributable to the two aforementioned former company officers. The claim brought by the Bank, barring subsequent amendment in the course of proceedings, amounts to not less than €700 million.

The derivative litigation, initially authorized by the Board of Directors on February 28, 2013, was subsequently ratified by the Bank shareholders' meeting held on April 29, 2013.

In the proceeding, 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 initial filings, has expressly reserved the right to assert, in a special session, the possible invalidity of the contracts underlying the financial transactions at issue, including the conclusions of the audits in progress and the developments in the inquiry by the investigating magistrate.

The MPS Foundation, CODACONS and the Italian Association of Users of Financial Services, Banking and Insurance all intervened in both lawsuits in support of the Bank's positions. In supporting the two aforementioned liability actions undertaken by the Bank, the MPS Foundation acknowledged that it launched two independent suits, one against Mr. Mussari, Mr. Vigni and Nomura, and a second against Mr. Vigni and Deutsche Bank AG, arguing in both cases a claim of liability of the defendants pursuant to Art. 2395 of the Italian Civil Code for the direct damage claimed to have been suffered by the MPS Foundation for having subscribed to the capital increase of BMPS approved in 2011, at a price different from that which would have been correct, if the Alexandria and Santorini transactions had been duly represented in the Bank's financial statements.

With regard to the action brought by BMPS against Antonio Vigni and Deutsche Bank AG, on December 19, 2013, a settlement was reached between the Bank and Deutsche Bank AG regarding, inter alia, the claim for compensation. This settlement is limited to the share of liability attributable to Deutsche Bank AG. BMPS's claims against Antonio Vigni and other parties involved in the Santorini transaction remain ongoing. The Bank's request to

consolidate the actions initiated by it with those brought by the MPS Foundation has been rejected and the matter is ongoing.

In the course of the separate lawsuit filed by the MPS Foundation, Mr. Vigni filed a claim against the Bank on the basis of a hold-harmless letter (with respect to claims by third parties) allegedly entered into by the Bank in connection with the consensual termination of his employment. The Bank filed a response to such claims and the case is currently in the investigative phase.

In BMPS's suit against Giuseppe Mussari, Antonio Vigni and Nomura, the first hearing was also delayed for procedural reasons and took place on April 16, 2014. At this hearing, there were called, for a possible discussion, on the one hand, the case brought by BMPS against Mr. Mussari, Mr. Vigni and Nomura and, on the other hand, the case independently brought by the MPS Foundation against the same defendants. The court granted Mr. Mussari's request to join the Bank as a responsible party under Art. 2049 of the Italian Civil Code, based on the fact that certain directors had responsibility for executing the transaction with Nomura, but rejected the parties' request to consolidate the actions. The Bank has therefore received the writs of summons in its capacity as third party called by the above-named defendants in the cases independently filed by the MPS Foundation and has appeared before the Court. As at the date hereof, this action remains pending.

In the course of the lawsuits filed by the MPS Foundation: (i) Mr. Vigni was permitted to join the Bank on the basis of the hold-harmless letter (with respect to claims by third parties) allegedly entered into by the Bank in connection with the consensual termination of his employment; and (ii) Mr. Mussari was permitted to join the Bank as a responsible party under Art. 2049 of the Italian Civil Code, based on the fact that certain directors had responsibility for executing the transaction with Nomura. The Bank has therefore received the writs of summons in its capacity as third party called by the above-named defendants in the cases independently filed by the MPS Foundation and has appeared before the Court. Mr. Vigni has sought to have the two actions brought by the MPS Foundation consolidated.

On March 1, 2013, Nomura filed with the Commercial Court in London for judicial notice of, inter alia, the validity of the contracts and the lack of Nomura's liability under the contracts and the absence of unjust enrichment. This filing was subsequent to the derivative suits described above and the Bank's damage claims before the Court of Florence. The Bank has therefore requested the suspension of Nomura's London filing on *res judicata* grounds, given that the Italian proceedings are still ongoing and pre-date, by Nomura's own admission, this English proceeding.

The Commercial Court in London did not sustain our request and the proceeding therefore continues. The Bank entered an appearance in that proceeding on March 12, 2014, claiming the invalidity of the Alexandria contracts and calling for the restitution of the entire sums paid out in execution of the same. Following the initial procedural formalities, the Bank is waiting for the preliminary investigative phase, with the trial itself not expected to commence before the end of 2015.

Recourse actions

As outlined above, after the administrative sanctions imposed by the Supervisory Authorities were paid, the Bank filed recourse actions but suspended the actions against the persons: (i) whose conduct was not willful or due to gross negligence; (ii) against whom no corporate

liability action was filed; and (iii) where there are no indictments under the pending criminal proceedings. Such recourse actions are only suspended while all avenues of appeal in the main actions are exhausted.

If, after the notices of default, the parties in question do not make payment, it will be necessary to file civil lawsuits to recover the amounts.

No guarantee can be given as to the outcome of these suits, which will surely be contested by the sanctioned parties to the fullest extent permitted by law. These activities might affect the duration of the proceedings and lower the possibility of collecting the amounts claimed.

Lastly, considering the conduct of our former management, which involves criminal offenses, and the actions already filed, the Bank is also assessing whether to sue for damages in the criminal proceedings (under Arts. 185 and 187 of the Italian Criminal Code).

Due to the extraordinary complexity of the situation, the number of actions filed by the various parties in interest and the subsequent developments therein, it cannot be excluded that further investigations and/or criminal, civil or administrative proceedings might be launched by the public prosecutor, the Supervisory Authorities and by investors, in addition to the ones described above.

Dispute Arising in the Ordinary Course of the Bank's Operations

During the ordinary course of the Group's operations, it is involved in various judicial proceedings concerning, among other things: clawback actions, compound interest, placement of bonds issued by countries and companies that then defaulted, placement of financial plans and products. As of the date hereof, neither the Bank nor any member of the Group is involved in any claims or disputes arising in the ordinary course of the Bank's Operations which could have a material adverse effect on the Group's business, financial condition or results of operations.

Civil proceedings

Below, we describe the civil suits for damages in which we are defendants. Cumulative damages claimed under such suits have been estimated to be in excess of €50 million.

Civil case brought by the special administrator of SNIA S.p.A. before the Court of Milan

The special administrator of a company has made various claims of liability against the former directors, auditors and shareholders (including indirect shareholders, which includes BMPS) of SNIA S.p.A. based on various theories of liability. The claim is based on complex company events over a 10-year period from 1999 to 2009 that, in the Bank's opinion, stem from the company's spin-off in 2003. The case is in the initial stages and the amount of damages to be sought from the Bank and other defendants with respect to certain claims has been estimated at €572 million. Damages sought in respect of the remaining claims cannot be reliably estimated.

Civil case by Fatrotek S.r.l. before the Court of Salerno

BMPS was summoned, together with other banks and companies, in this case, following a supposedly erroneous report to the Italian Central Credit Register. The case is presently in the preliminary inquest phase and €157 million in damages is being sought.

Civil case brought by the bankruptcy trustee of Medeghini S.p.A. before the Court of Brescia

The case concerns the claim for damages brought by the bankruptcy trustee of a company; the underlying facts involve several banking transactions to increase the share capital of the plaintiff company which subsequently filed for bankruptcy. The case is presently in the preliminary inquest phase and €155 million in damages is being sought.

Arbitration brought by Elipso Finance S.r.l. before the Milan Arbitration Chamber

This is an arbitration concerning a claim for damages based on alleged documentary irregularities or deficiencies in receivables originated and transferred by the Bank to the plaintiff. Jurisdiction of the Arbitration Chamber derives from a clause in the transfer agreements. The arbitration is in the inquest phase and €100 million in damages is being sought by the plaintiff.

Civil case brought by De Masi S., Agriter S.r.l., De Masi G., Rottura, De Masi A., Chidem S.r.l., Retificio De Masi S.r.l., De Masi Costruzioni S.r.l., 2 in. Cal. S.r.l., De Masi Agricoltura S.p.A., Calfin S.p.A. Di Gioia before the Court of Palmi

BMPS and other banks are defendants in this case regarding allegedly usurious interest. The case is in the final stage and €100 million in damages is being sought.

On April 24, 2015, a letter of intent was signed at the Ministry of Economic Development for the settlement of financial and judicial litigation between Gruppo De Masi and the banks involved.

Civil case brought by the bankruptcy trustee of Antonio Amato & C. Molini e Pastifici S.p.A. before the Naples Commercial Court

The bankruptcy trustee company brought suit against the former directors and auditors of the company and against the Bank together with other banks for compensation for alleged damages. These damages equal the difference between the liabilities and assets arising from a syndicated loan disbursed by the banks. This syndicated loan is alleged to have delayed the discovery of the state of insolvency of the now bankrupt company, thus worsening its difficulties. The case is in the initial stages and €90 million in damages is being sought.

Civil case brought by Camorani, A.S.P. Padana Acciai Speciali S.r.l., Berfin S.A., Finworld S.A. and Graiani before the Court of Reggio Emilia

Several parties brought suit against the Bank and another party. The plaintiff companies and their directors went to court to obtain compensation for the damages allegedly sustained due to an unusual and illegal management of a loan application submitted to the Bank, which allegedly led to the insolvency of the plaintiff companies. The case is presently in the adjudication phase and €62 million in damages is being sought.

Actions brought by the special administrator of Antonio Merloni S.p.A. before the Court of Ancona

These two bankruptcy clawback actions were brought under Art. 67, paragraph one (2) of the Italian Bankruptcy Law and Art. 67, paragraph two of the Italian Bankruptcy Law that pertain to current account movements of assets sold from the trading portfolio. The aggregate amount of damages sought in the two cases is €82 million. One matter in the investigatory phase and

the other, seeking damages of €54 million, was recently decided. In this latter case, the claim for bankruptcy clawback was denied, with the plaintiff being responsible for reimbursement of expenses. The plaintiff has filed an appeal before the Court.

Civil case brought by Carnacina L. and Carnacina L.S. before the Court of Rome

BMPS and other banks and companies are defendants in this case concerning foreign loan transactions. The case is presently in the decisive phase and €51 million in damages is being sought.

Action brought by the special administrator of coopcostruttori before the Court of Ferrara

This is a bankruptcy clawback action brought pursuant to Art. 67, paragraph two of the Italian Bankruptcy Law against the Bank and pertaining to several current account transfers. The plaintiff, having made a claim for damages of €52 million, was awarded €8 million.

Action brought by the bankruptcy trustee of Antonio Merloni S.p.A. before the Court of Rome

The bankruptcy trustee of a company brought suit against the directors and auditors of the same company and EY and other banks in a pool of lenders extending credit to the plaintiff company. The plaintiff claims compensation for alleged damages arising from pool restructuring activities and loans. The case is in the initial stage and the various defendants are seeking a total of €323 million in damages.

Appeal brought by ADUSBEF and CODACONS before the regional Administrative Court of Lazio

This appeal was brought before the Regional Administrative Court of Lazio also against the Bank by consumer and user associations to cancel deeds under the New Financial Instruments issuing procedure. The Regional Administrative Court of Lazio and the Council of State rejected all preliminary motions brought by the plaintiffs. At the April 3, 2013 hearing, the Regional Administrative Court postponed the hearing to a date to be determined. The plaintiffs, in addition to seeking the annulment of the acts relating to the procedure for the issuance of the New Financial Instruments for €3.9 billion, have also claimed for damages in the same amount.

Arbitration brought by Fondazione Banca Agricola Mantovana before the Milan Arbitration Chamber

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.

Money laundering claims

In addition, several proceedings against the Bank regarding application of the anti-money laundering legislation are pending. These proceedings, pending in ordinary courts, relate to the Bank's challenges of several sanctions issued by the MEF for failure to notify suspicious transactions pursuant to applicable anti-money laundering laws and regulations. The Bank is jointly liable under law with those executing the unlawful transactions.

In its defense, the Bank maintains that the suspicious transactions were not detectable, and only came to light during the course of a subsequent investigation by the Tax Police or relevant judicial authority.

The Bank is seeking an annulment of the sanction, which would, in the ordinary course, also result in suspension of any required payment while the case is still pending.

Labor disputes

The Bank is a party in several labor disputes involving challenges to individual and collective dismissals, requests to ascertain open-term employment contracts, compensation of damages due to professional setbacks, requests for higher positions and miscellaneous economic claims.

Provisions were accrued to pay the costs associated with these proceedings, based on an internal assessment of the potential risk. The provisions we made in 2014 regarding this type of litigation fall under the item "personnel costs" of the provision for risks and charges, which, as at March 31, 2015, amounts to €53.4 million.

In any case, the Bank does not believe that any liabilities resulting from the labor disputes in progress will have a significant impact on its financial position.

Complaint to the Board of Statutory Auditors pursuant to Art. 2408 of the Italian Civil Code—Complaint filed by the shareholder Falaschi.

During the Shareholders' Meeting of April 29, 2014, the shareholder Paolo Emilio Falaschi, although lacking the requisite number of shares needed to do so, addressed the meeting expressly soliciting the intervention of the Board of Statutory Auditors pursuant to Art. 2403 of the Italian Civil Code ("Duties of the Board of Statutory Auditors") as well as with reference to Art. 2406 of the Italian Civil Code ("Omissions by directors") and Art. 2408 of the Italian Civil Code ("Complaint to the Board of Statutory Auditors") with regard to the failure to start legal action to protect shareholders. He also sought damages from the Republic of Italy, the Supervisory Authorities and any individuals involved in authorizing and executing the acquisition of Banca Antonveneta. The president of the Board of Statutory Auditors made his observations at the extraordinary shareholders' meeting on May 21, 2014, which are attached to the minutes of the meeting.

Sanctions proceedings

Bank of Italy

Sanctions proceedings in the field of anti-money laundering and on the transparency of banking and financial transactions and services

Following the Bank of Italy's inspections between September 2012 to January 2013, our Supervisory Authority launched sanctions proceedings in April of 2013 against the board of directors and board of statutory auditors, several officers of the company and of BMPS in place during the relevant period of time, jointly for irregularities in the transparency of transactions and banking and financial services and lack of fairness in relations between brokers and clients (Art. 53, paragraph 1, letters b) and d), Art. 67, paragraph 1, letters b) and d), Title VI of the Italian Consolidated Banking Law and its implementing regulations). Sanctions proceedings against BMPS for irregularities concerning anti-money laundering were also initiated, and specific defense counterclaims related to them were forwarded to the Supervisory Authority. As at the date of this Prospectus, the proceedings are still in progress.

The Bank of Italy concluded the anti-money laundering proceedings without issuing sanctions.

In relation to transparency of transactions and banking and financial services, the Bank of Italy has imposed €130,000 in sanctions against the Director General of BMPS and Chief Compliance Officer in place during the relevant period of time. The Bank has not appealed the decision and proceeded with the payment of penalties as it was held jointly and severally liable. The head of the compliance unit has appealed the decision of the Regional Administrative Court of Lazio.

Sanctions proceedings concerning incorrect reporting on government bonds

In December 2012, the Bank of Italy launched sanction proceedings against the directors, auditors and general manager of BMPS in office as at June 30, 2011 due to reporting errors on a portfolio of government bonds for the year 2011. The proceedings are still in progress as at the date of this Prospectus.

CONSOB

CONSOB sanctions proceedings for failure to comply with the provisions on the subject of the public offering of financial instruments and of provisions relating to the offering of investment services

Following inspections carried out in 2012, on April 19, 2013, CONSOB notified the Bank that it had opened two proceedings regarding failure to comply with regulations: (i) governing the tender offer for financial instruments (Art. 95, paragraph 1, letter c) of the Consolidated Finance Act and Art. 34-*decies* of the Issuers' Regulations) regarding the execution of the tender offer for the product "Casaforte classe A"; and (ii) pertaining to the supply of investment services (Art. 21, paragraph 1, letters a) and d), and paragraph 1-*bis*, letter a) of the Consolidated Finance Act; Arts. 15, 23 and 25 of the Joint Bank of Italy/CONSOB Regulation dated October 29, 2007; Arts. 39 and 40 of CONSOB regulation No. 16190 dated October 29, 2007; and Art. 8, paragraph 1 of the Consolidated Finance Act). In particular, complaints have been filed relating to: (i) irregularities relating to the regulation

of conflicts of interest; (ii) irregularities in the evaluation of the adequacy of transactions; (iii) irregularities relative to pricing procedures on the products issued by the Bank; and (iv) disclosure of untrue or incomplete data and information.

CONSOB mainly holds the board of directors, board of statutory auditors and officers in place during the relevant period of time responsible for the regulatory violations. Pursuant to Art. 195, paragraph 9 of the Consolidated Finance Act, the Bank is required to assume joint liability for payment of the sanctions that may be imposed upon its management as a result of the administrative proceeding.

In relation to the proceeding *sub* (1), CONSOB has imposed administrative sanctions of €43,000 against the general manager and other responsible entities in the corporate structure of the Bank in place during the relevant period of time, but it has not found any violation by the members of the Board of Directors or the Board of Statutory Auditors in office at the time of the facts with respect to the proceedings *sub* (1). With respect to the proceeding under *sub* (2), on April 9, 2014, CONSOB issued monetary sanctions of €2,395,000 against certain persons with responsibility for certain corporate areas. The decision is being appealed by the Bank in the Court of Appeals for the relevant jurisdiction.

The Bank was notified as to both proceedings, given it is jointly liable under law, and the total amount of the penalties was paid by the Bank.

The Bank has begun necessary recourse actions against the sanctioned individuals found to have acted with intent or gross negligence.

Privacy

In July 2013, the Italian Tax Police Lieutenant Unit of Sant'Angelo dei Lombardi served BMPS with a formal written notice for the alleged violation of Arts. 162 and 162, paragraph 2-*bis* of Italian Legislative Decree No. 196/2003 concerning data protection. The notice was served on the Bank in its role as data "controller" in the context of the activity of a former financial advisor, and also as a jointly liable party in the related pending criminal proceedings. BMPS asked the Data Protection Commissioner to dismiss the proceeding because the alleged events were ascribable only to the personal liability of the financial advisor without any involvement of the Bank in any respect whatsoever. As at the date of this Prospectus, the proceeding is still in progress.

Legal proceedings pursuant to Italian Legislative Decree 231/2001

The Bank was charged with three administrative crimes in a proceeding initiated by the Forlì Public Prosecutor against 29 natural persons for money laundering and obstruction of justice, including obstruction of the exercise of public supervisory functions pursuant to Art. 2638 of the Italian Civil Code, money laundering pursuant to Art. 648-*bis* of the Italian Criminal Code and transnational conspiracy (Art. 416 of the Italian Criminal Code).

More specifically, the Public Prosecutor believes that the employees of the Forlì branch office of the bank, under the management and supervision of top management at the bank, committed the aforesaid crimes in the interest of and for the benefit of the Bank.

According to the charges, these crimes were made possible by not complying with the management and supervision obligations to adopt and effectively implement an organization,

management and control model before the aforesaid crimes were committed and sufficient to prevent this type of crime.

The charged activity allegedly concerns several deposits on current accounts opened at the Forlì branch office of BMPS in the name of a San Marino bank, which is not authorized to operate in Italy. These deposits allegedly permitted funds to flow through this account, which were of a criminal origin, and originated in the counter value of checks originating from crimes and presented to the San Marino bank. They were allegedly exchanged later with currency in Euro taken from a management account in the name of BMPS. This conduct would have been initiated so as to obstruct identification of the criminal origin of the assets and traceability of the transactions.

The Bank's defense in these proceedings set out to prove the non-existence of the crimes at the heart of the charges against it and to demonstrate that an organization, management and control model sufficient to prevent such crimes had been adopted and effectively implemented prior to the time of the alleged crimes in question.

The activities which are the subject of the charges were carried out between 2005 and 2008, in the Bank's Forlì branch, on behalf of the Cassa di Risparmio di San Marino. Transactions involved a management account in BMPS's name, at the Bank of Italy—Branch of Forlì.

The Cassa di Risparmio of San Marino, in view of its particular location in the territory of the Republic of San Marino, had, in fact, requested the Forlì branch of BMPS to use the account in question to meet its own cash requirements through the transactions of cash deposits and/or withdrawal at the corresponding branch of the Bank of Italy.

The transactions in question are characterized by large cash movements. In addition, the judicial authority (the "Judicial Authority") alleged anomalies in the Bank's registration of the transactions in the *Archivio Unico Informatico* (the "AUI") in which financial intermediaries must record their operations.

According to the Judicial Authority, the transactions in question could have been put in place so as to hide the criminal origin of the funds and prevent traceability of the covert exchanges of illicit capital.

In particular, the employees of the branch of Forlì have been charged with complicity in the crimes of obstructing the supervisory activities of the Supervisory Authority, violating the rules against money laundering and violating the rules on criminal associations in relation to transnational crime. Pursuant to Law No. 146/2006, these acts are assumed to have occurred as a result of lack of supervision and direction by the Bank and the alleged absence of an appropriate and effective compliance environment.

According to a statement by the Judicial Authority, the conduct engaged in by the employees would have made it possible to conceal the commission of the crimes of money laundering, by preventing the acquisition of accurate information on the actual principles in such transactions, and information on the real characteristics, scope and nature of the relative accounting movements with effects also on the registration in AUI.

At a hearing on February 12, 2015, the Court of Forlì declared it lacked jurisdiction and found that the Court of Rimini was the appropriate forum with respect to the Bank. The filings will thus be transferred to that court, which will evaluate whether it has jurisdiction

over the criminal proceeding. The Court of Rimini, in an order dated March 3, 2015, sent the Court of Cassation a request for a ruling on jurisdiction, in order to identify the competent court on the matter.

Litigation with CODACONS

BMPS filed a civil suit on March 5, 2014 before the Court of Rome against CODACONS, its legal representative and an external consultant of this association. The suit seeks to obtain a judgment against them, jointly and severally, for compensation for damages that have been suffered and may be suffered (in future) by the Bank as a result of conduct unjustly damaging the reputation of the Bank. In particular, among the unlawful conduct forming the basis of the action, CODACONS has published multiple press releases since the beginning of 2013, in which it claimed that the Bank had applied erroneous accounting treatment to the restructuring of the Santorini transaction and the Alexandria notes. These press releases claimed that the Bank also unlawfully channeled state funds through the New Financial Instruments. Pecuniary damages of €25 million have been claimed and €5 million has been claimed in respect of non-pecuniary damage. The first hearing, set for November 20, 2014, was postponed *ex officio* to January 14, 2015. CODACONS filed counter claims for damages of €23 million and the judge fixed the next hearing for September 30, 2015.

10. 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 70 pending proceedings, with claims totalling €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 *petitum* 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.

Notwithstanding the assessment of the risk made by the Bank, the companies belonging to the Group and their tax advisors, it is not possible to exclude a negative outcome arising from the pending tax audits or tax litigation and/or new further tax audits which would lead to further tax risks for the Bank and/or Group involving additional provisions or potentially significant cash expenditure, with a negative impact on the financial and economic situation of the Bank and/or the Group.

Pending proceedings

Substitute tax on revaluation

On December 21, 2011, MPS Immobiliare, subsequently merged into the Bank, 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 October 15, 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 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. The claims are being contested.

The Regional Administration of Lombardy has claimed €4 million in back-taxes and €5 million in sanctions for 2006; €3 million in back-taxes and €4 million in sanctions for 2007 and €2 million in back-taxes and €3 million in sanctions for 2008.

The findings were challenged and the proceedings are currently pending before the Provincial Tax Commission of Milan.

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 (companies consolidated for tax purposes) 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 denies that the loss recorded in connection with the writedown of the securities issued by Monte SICAV Equity was proper (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 maintains that the loss recorded by AXA MPS Assicurazioni Vita in connection with the write-down of the securities issued by Monte SICAV Equity was not proper for fiscal year 2003. 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. On 17 June 2015 the Regional Tax Commission (judgement no. 3529/14/15) rejected the appeal. 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 €7 million.

The results of this proceeding 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 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, Inland Revenue 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 2009 (excluding 2005, res judicata) and (for additional taxes and penalties) they amount to approximately €11 million. The company and its advisors assess the risk of unfavorable outcome as remote. Moreover, the inspections which are currently being carried out at the subsidiary concern, *inter alia*, nautical leasing transactions for the period between 2009 and 2012.

Pending investigations

Assignment of real estate

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 our share in a building complex located in Rome to a closed-end real estate fund, and the subsequent sale of shares in the same fund. In connection with this transaction, the Tax Police served notice on September 16, 2013, contesting the tax regime applied by MPS Immobiliare to the transaction as well as unpaid tax liabilities of €27 million of VAT, and €4 million of direct taxes. The Italian Revenue Service has not yet issued any notice of assessment but has formally called on MPS Immobiliare to provide clarification, asserting that the transactions carried out, taken as a whole, were aimed at obtaining unlawful tax savings. The Bank has provided the requested clarification. The Bank, into which MPS Immobiliare was merged on December 5, 2014, believes, based on 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.

Tax audit of MPS Leasing & Factoring

On December 12, 2014, the Tax Police of Siena commenced an investigation of MPS Leasing & Factoring with regard to direct taxes, VAT and regional business tax (IRAP) for the 2013 fiscal year. Such inspection also concerns the merger of MPS Leasing & Factoring with MPS Commerciale Leasing, certain ordinary-course transactions with clients, as well as the nautical leasing transactions from 2009 to 2012. In addition to customary requests for documentation, no further notifications in respect of this matter have been received, nor have

any material findings in respect of the matter been communicated to the Bank. As at the date of this Prospectus, no tax findings have been issued.

Tax audit of MPS Capital Services

On April 1, 2015, the Tuscany Regional Office of the Tax Revenue Service, commenced a general investigation into direct taxes, regional business tax (IRAP), withholding tax and VAT for 2012 in respect of MPS Capital Services. The tax officers, in the context of the initial access to the premises, besides the usual request for documentation, have carried out, pursuant to Article 33 of DPR 600/1973 and Article 52 of DPR 633/1972, inspections and documentary searches. As of the date of this Prospectus, the investigation is currently pending and no tax findings have been issued.

11. Deferred tax assets

The deferred tax assets (“DTAs”) recognized in the Group’s consolidated financial statements primarily relate to goodwill that has been tax-certified, impairments of loans and related losses in excess of the amount fully deductible in the financial year and capital losses recognized in the equity reserve related to available for sale securities, as provided for under applicable Italian rules and regulation. DTAs can be used to offset income for a period for a limited number of periods.

As at March 31, 2015, deferred tax assets amounted in aggregate to €5,365 million, of which €4,285 million may be converted into tax credits pursuant to Law No. 214 of December 22, 2011 (“Law 214/2011”). As at December 31, 2014, deferred tax assets amounted to €5,687 million, of which €4,405 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, then, 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 RWA at a 100% weighting.

The current regulatory environment, however, may change in a way that is unfavorable to the Bank, as the European Commission has indicated that it is considering whether or not the treatment in Italy, Spain, Portugal and Greece, constitute unlawful state aid. In addition, the EBA is currently assessing whether differing treatment of convertible DTAs has created an uneven playing field for European banks. If the previously mentioned treatment were to be considered unlawful state aid, the current, more favorable treatment of convertible DTAs would no longer be available, with potentially material adverse effect on the Group's financial condition and results of operations. See “—The Group is subject to extensive supervisory and regulatory regimes in the countries in which it operates and cannot predict to what extent laws or regulations may change in the future, or the impact such changes would have on its business”.

With respect to the Bank, deferred tax assets recognized in the 2015 Unaudited Interim Consolidated Financial Statements and the 2014 Audited Consolidated Financial Statements primarily related to goodwill, impairments of loans in excess of the amount fully deductible in the year of recognition and capital losses recognized in the equity reserve related to financial assets available for sale.

Deferred tax assets related to impairments of loans in excess of the amount fully deductible in the financial year, which, as at March 31, 2015, amounted to approximately €2,965 million (€3,081 million as at December 31, 2014), 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 €1,203 million as at March 31, 2015 (€1,206 million as at December 31, 2014). 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.

The aforementioned natural reduction in the amount of the DTAs on goodwill and loan losses occurred in April 2015 by the conversion of part of such DTAs into tax credits pursuant to Law 214/2011 (approximately equal to 46% of the DTAs recorded in the 2014 Audited Consolidated Financial Statements relating to goodwill and loan losses), following the loss recognized in the non-consolidated financial statements as at and for the year ended December 31, 2014 by BMPS and MPS Capital Services.

Regarding the increases in the amounts of the DTAs as at March 31, 2015, account must also be taken of the additional tax assets that may be recognized as a result of further loan losses and impairments in future financial years, which are deductible from income subject to IRES and the IRAP in equal installments over five years. Aside from these significant technical considerations, changes in deferred taxes for impairments of loans with customers will predominantly be affected by factors outside the Group's control, such as the financial performance of counterparties and of the Italian economy generally.

Deferred tax assets related to capital losses recognized in the specific equity reserves amounted to €366 million as at March 31, 2015 (compared to €537 million as at December 31, 2014). 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 particular, the deferred tax assets related to this latter category primarily comprised investments in Italian sovereign bonds, and their value is related to the market value of such bonds. The size of such investments is expected to be gradually reduced over the course of the Restructuring Plan. Accordingly, any increase in the amount of deferred tax assets would occur following a decrease in market prices. The occurrence of such circumstances would have a material adverse effect on the Group’s business, financial condition, results of operations and cash flows, as deferred tax assets of this type are not available to be converted into a tax credit, unlike other types of DTAs reflected in the financial statements in significantly lower quantities and different to those described earlier.

In the 2015 Unaudited Consolidated Interim Financial Statements as at March 31, 2015, DTAs accrued in respect of tax losses totaled €248 million (€320 million at December 31, 2014) and DTAs accrued for ACE surpluses, provided for by Article 1 of the Decree-Law 201/2011, equalled €105 million (€88 million at December 31, 2014). 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 2015 Interim Financial Statements (as well as in 2014 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.

12. Changes to the Group’s existing partnerships could negatively affect its business

As at the date of this Prospectus, the Bank has a number of partnership agreements in place, including with the AXA Group 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 42 S.p.A. and Banca Popolare di Milano S.c.a.r.l. (“BPM”), 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 March 31, 2015, the Bank would be required to pay €740.8 million to repurchase such shares. See "Business—Material Contracts—Partnership agreement in the bancassurance sector".

Disputes may arise among the parties to those agreements, which may lead, *inter alia*, to operational gridlock or changes in the shareholder structure, and which may have a material adverse effect upon the Bank's and/or the Group's business (in particular, its insurance, consumer credit and asset management operations), results of operations, financial condition and cash flows.

For example, the Bank has received notice from Anima Holding and Banco Popolare di Milano that they are seeking to enforce the indemnity provided by the Bank in connection with the sale of its stake in the creation of the partnership as a result of a tax investigation being conducted by the Tax Police on Anima Asset Management Ltd ("AAM"), a company incorporated in Ireland and owned by the Group at the time of the alleged behavior, relating to unpaid IRES and IRAP taxes for the period 2004-2013. The Tax Police allege that AAM failed to declare, for the periods 2004-2007, in Italy income totaling €249.8 million, which, net of €155.2 million in expenses, had reduced taxable income by approximately €94.6 million. and claim sanctions equalling 120% to 140% of the resulting tax obligation. In addition, an investigation with respect to the 2008-2013 fiscal years is currently ongoing. The Bank is evaluating its options with respect to the guarantees given at the time of the disposal and while it does not currently believe Anima Holdings' claims to be well-founded, given their general nature, there can be no assurance that the Bank will not be subject to sanctions or other adverse consequences as a result of these claims in the future.

MANAGEMENT OF THE BANK

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 December 31, 2017. The Board of Directors is currently made up as follows.

| Name | Position | Date of birth |
|-------------------------------------|-------------------------|----------------------|
| Alessandro Profumo ⁽¹⁾ | Chairman | February 17, 1957 |
| Roberto Isolani | Deputy Chairman | June 18, 1964 |
| Fabrizio Viola | Chief Executive Officer | January 19, 1958 |
| Stefania Bariatti ^(*) | Director | October 28, 1956 |
| Béatrice Derouvroy Bernard | Director | May 15, 1963 |
| Fiorella Bianchi | Director | May 5, 1954 |
| Daniele Bonvicini ^(*) | Director | January 31, 1949 |
| Lucia Calvosa ^(*) | Director | June 26, 1961 |
| Maria Elena Cappello ^(*) | Director | July 24, 1968 |
| Alessandro Falciai ^(*) | Director | January 18, 1961 |
| Fiorella Kostoris ^(*) | Director | May 5, 1945 |
| Stefania Truzzoli ^(*) | Director | November 15, 1968 |
| Antonino Turicchi ^(*) | Director | March 13, 1965 |
| Christian Whamond | Director | August 11, 1973 |

Notes:

(*) Independent Director pursuant to the Financial Laws Consolidation Act and the Corporate Governance Code of Listed Companies (the "Corporate Governance Code").

(1) Mr. Profumo has announced his intention to leave his position at the Bank following the completion of the Rights Offering.

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 and to the public pursuant to Issuers' Regulations. 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 owns shares | Status of ownership |
|--------------------|---|---------------------------|--|----------------------------|
| Alessandro Profumo | Chairman of the Board of Appeal Strategy and Finance, S.r.l. | Current | Appeal Strategy and Finance S.r.l. | Current |
| | Director, Supervisory Board of Sberbank | Current | Eli Venture S.r.l. | Current |
| | Director of International Advisory Board of Itaù Unibanco | Current | Mossi Aziende Agricole Vitivinicole S.r.l. | Current |
| | Director of Fondazione Together To Go | Current | | |
| | Director of Mossi Aziende Agricole Vitivinicole S.r.l. società agricola | Current | | |
| | Director of Università Commerciale Luigi Bocconi | Past | | |
| | Director of Fondazione Accademia d'Arti e Mestieri dello Spettacolo Teatro La Scala | Past | | |
| | Director of Fondazione Arnaldo Pomodoro | Past | | |
| | Director of Eni S.p.A. | Past | | |
| | President of the Supervisory Board of Bank Austria | Past | | |
| | President of the Supervisory | Past | | |

| Name | Position held outside the Group | Status of Position | Company in which owns shares | Status of ownership |
|----------------------------|---|---------------------------|--|----------------------------|
| | Board of Hypovereinsbank | | | |
| | Chief Executive Officer of Unicredit S.p.A. | Past | | |
| Roberto Isolani | Member of the Global Management Committee of BTG Pactual | Current | Partner of Concessioni Italiane S.p.A. | Current |
| | Director of Concessioni Italiane S.p.A. | Past | | |
| Fabrizio Viola | | Current | Partner of Twoprince S.c. | Current |
| | Director of AXA MPS Assicurazioni Vita S.p.A. | Current | | |
| | Director of AXA MPS Assicurazioni Danni S.p.A. | Current | | |
| | Director of Fondazione Accademi d'Arte e Mestieri dello Spettacolo Teatro all Scala | Current | | |
| | President of Associazione Educatori senza frontier Onlus | Current | | |
| | Director of Banco di Sardegna S.p.A. | Past | | |
| | Chairman of the Board of Directors of BPER Services S.p.A. | Past | | |
| | Director of Banca della Campania S.p.A. | Past | | |
| | Chief Executive Officer of Banca Popolare dell'Emilia Romagna Soc. Coop. | Past | | |
| 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 | | |
| Béatrice Derouvroy Bernard | Chairman of the Board of Directors of AXA MPS | Current | | |

| Name | Position held outside the Group | Status of Position | Company in which owns shares | Status of ownership |
|------------------|---|---------------------------|-------------------------------------|----------------------------|
| | Financial Limited | | | |
| | Director and General Manager of AXA MPS Assicurazioni Vita S.p.A. | Current | | |
| | Director and General Manager of AXA MPS Assicurazioni Danni S.p.A. | Current | | |
| Fiorella Bianchi | General Manager of Conad del Tirreno Soc. Coop. | Current | | |
| | Deputy Chairman of the Board of Directors of Atlantide S.r.l. | Current | | |
| | Deputy Chairman of the Board of Directors of Carina S.r.l. | Current | | |
| | Director of CBF S.r.l. | Current | | |
| | Director of Cecina Sviluppo S.r.l. | Current | | |
| | Sole Administrator of Civitas S.r.l. | Current | | |
| | Director of Clodia S.r.l. | Current | | |
| | Chairman of the Board of Directors of Commerciale Ortoinvest S.r.l. | Current | | |
| | Deputy Chairman of the Board of Directors of Ellisse S.r.l. | Current | | |
| | Director of Etrusco S.r.l. | Current | | |
| | Delegated Director of Futura S.r.l. | Current | | |
| | Deputy Chairman of the Board of Directors of I Negozini S.r.l. | Current | | |
| | Deputy Chairman of the Board of Directors of Ladis S.r.l. | Current | | |
| | Deputy Chairman of the Board of Directors of Leccia | Current | | |

| Name | Position held outside the Group | Status of Position | Company in which owns shares | Status of ownership |
|-------------|--|---------------------------|-------------------------------------|----------------------------|
| | S.r.l. | | | |
| | Deputy Chairman of the Board of Directors of Luce S.r.l. | Current | | |
| | Deputy Chairman of the Board of Directors of Lunigiana S.r.l. | Current | | |
| | Deputy Chairman of the Board of Directors of Oriolo S.r.l. | Current | | |
| | Deputy Chairman of the Board of Directors of Perseo S.r.l. | Current | | |
| | Deputy Chairman of the Board of Directors of Picasso S.r.l. | Current | | |
| | Director of S.D.I. Società Distribuzione Imballaggi S.r.l. | Current | | |
| | Deputy Chairman of the Board of Directors of Sagial S.r.l. | Current | | |
| | Deputy Chairman of the Board of Directors of Santo Stefano S.r.l. | Current | | |
| | Director of Sapori di Forno S.r.l. | Current | | |
| | Deputy Chairman of the Board of Directors of SD Store Firenze S.r.l. | Current | | |
| | Deputy Chairman of the Board of Directors of SD Store Siena S.r.l. | Current | | |
| | Director of Signo S.r.l. | Current | | |
| | Director of Sviluppo Roma Supermercati S.r.l. | Current | | |
| | Deputy Chairman of the Board of Directors of Teckno Service S.r.l. | Current | | |

| Name | Position held outside the Group | Status of Position | Company in which owns shares | Status of ownership |
|-------------|---|---------------------------|-------------------------------------|----------------------------|
| | Director of Tropico S.r.l. | Current | | |
| | Director of Universo S.r.l. | Current | | |
| | Director of Egeo S.r.l. | Past | | |
| | Chairman of the Board of Directors of B.S.L. S.r.l. | Past | | |
| | Chairman of the Board of Directors of Disco S.r.l. | Past | | |
| | Chairman of the Board of Directors of Emilio 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 | | |
| | 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 | | |
| | Director of Marilia S.r.l. | Past | | |
| | Director of Mercurio S.r.l. | Past | | |
| | Director of Supermercati Isola d'Elba | Past | | |
| | Chairman of the Board of Directors of Supermercati Margherita | Past | | |
| | Director of Cisama S.r.l. | Past | | |
| | Director of Ellemax S.r.l. | Past | | |
| | Chairman of the Board of Directors of Il Melograno S.r.l. | Past | | |

| Name | Position held outside the Group | Status of Position | Company in which owns shares | Status of ownership |
|----------------------|---|---------------------------|-------------------------------------|----------------------------|
| | Director of Non Food Conad Centro Italia S.r.l. | Past | | |
| | Director of Orizzonte S.r.l. | Past | | |
| | Chairman of the Board of Directors of Saccmarket S.r.l. | Past | | |
| Daniele Bonvicini | Director of Ferretti S.p.A. | Past | | |
| | Director of Colussi S.p.A. | Past | | |
| | Director of Serralunga S.r.l. | Past | | |
| | Chairman of the Board of Directors of Compartinvest S.r.l. | Past | | |
| Lucia Calvosa | Director of Telecom Italia S.p.A. | Current | | |
| | Director of Il Fatto S.p.A. | Current | | |
| | Chairman of the Board of Directors of Cassa di Risparmio di San Miniato S.p.A. | Past | | |
| Maria Elena Cappello | Director of Prysmian S.p.A. | Current | | |
| | Director of Saipem S.p.A. | Current | | |
| | Director of Seat Pagine Gialle S.p.A. | Current | | |
| | Director of SACE S.p.A. | Past | | |
| | Member of Management Board of A2A S.p.A. | Past | | |
| | Chief Executive Officer, General Manager and Deputy Chairman of the Board of Directors at Nokia Siemens Networks Italia S.p.A. (now known as Nokia) | Past | | |
| | Chief Executive Officer, General Manager and Deputy Chairman of the Board of Directors of Nokia | Past | | |

| Name | Position held outside the Group | Status of Position | Company in which owns shares | Status of ownership |
|--------------------|---|---------------------------|-------------------------------------|----------------------------|
| | Siemens Networks S.p.A. (now known as Nokia) | | | |
| Alessandro Falciai | Sole Administrator of Millenium Partecipazioni S.r.l. | Current | Millenium Partecipazioni S.r.l. | Current |
| | Chairman of the Board of Directors of Mondo Marine S.p.A. | Current | Altair S.r.l. | Current |
| | Chairman of the Board of Directors of Hyperstem SA | Current | Assiteca SIM S.p.A. | 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 Director and Chief Executive Officer of I Puntoni Società Agricola a r.l. | Current | | |
| | Sole Administrator of Millenium Directory Holding S.r.l. | Current | | |
| | Director of Stemgen S.p.A. | Current | | |
| | Sole Administrator of Deneb S.r.l. | Current | | |
| | Sole Administrator of Alcione S.r.l. | Current | | |
| | Sole Administrator of Cassiopea S.r.l. | Current | | |
| | Chairman of the Board of Directors of Assiteca SIM S.p.A. | Past | | |
| | Chairman of the Board of Directors and Managing Director of DMT S.p.A. | Past | | |
| Fiorella Kostoris | — | — | | |
| Stefania Truzzoli | Director of BT Italia S.p.A. | Current | | |

| Name | Position held outside the Group | Status of Position | Company in which owns shares | Status of ownership |
|-------------------|--|--------------------|------------------------------|---------------------|
| Antonio Turicchi | Director of Consorzio TOPIX | Current | | |
| | Chief Operating Officer and Director of Business Unit Small Medium Enterprise of BT —British Telecom Italia S.p.A. | Current | | |
| | Chairman of the Board of Directors of Alstom S.p.A. | Current | | |
| | Chairman of the Board of Directors of Alstom Power Italia S.p.A. | Current | | |
| | Chairman of the Board of Directors of Alstom Grid S.p.A. | Current | | |
| | Director of Alstom Ferroviaria S.p.A. | Current | | |
| | Director of Autostrade per l'Italia S.p.A. | Current | | |
| | Director of CAI (Compagnia Aerea Italiana) S.p.A. | Current | | |
| | Director of Alitalia S.p.A. | Past | | |
| | Chairman of the Supervisory Board of STMicroelectronics N.V. | Past | | |
| Christian Whamond | Director of Atlantia S.p.A. | Past | | |
| | Director of Corporate Credit of Fintech Advisory Inc. | Current | | |
| | Director of Seamex Ltd. | Current | | |
| | Director of Seadrill Mexico Holding Ltd. | Current | | |
| | Director of Seadrill Oberon (S) Pte Ltd. | Current | | |
| | Director of Seadrill Intrepid (S) Pte Ltd. | Current | | |
| | Director of Seadrill | Current | | |

| Name | Position held outside the Group | Status of Position | Company in which owns shares | Status of ownership |
|-------------|---|---------------------------|-------------------------------------|----------------------------|
| | Defender (S) Pte Ltd. | | | |
| | Director of Seadrill Courageous (S) Pte Ltd. | Current | | |
| | Director of Seadrill Titania (S) Pte Ltd. | Current | | |
| | Director of Seadrill Leasing BV | Current | | |
| | Director of SeaMex Holding BV | Current | | |
| | Director of Seadrill Mexico UK Ltd. | Current | | |
| | Director of Seadrill Oberon de Mexico S de RL de CV | Current | | |
| | Director of Seadrill Intrepid de Mexico S de RL de CV | Current | | |
| | Director of Seadrill Defender de Mexico S de RL de CV | Current | | |
| | Director of Seadrill Courageous de Mexico S de RL de CV | Current | | |
| | Director of Seadrill Titania de Mexico S de RL de CV | Current | | |
| | Director of Seadrill Holdings de Mexico S de RL de CV | Current | | |
| | Director of Seadrill Jack Up Operations de Mexico S de RL de CV | Current | | |
| | Director of Seadrill Logistics de Mexico S de RL de CV | Current | | |
| | Executive Director, BTG Pactual | Past | | |
| | Director of Fintech Europe S.à r.l. | Past | | |

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 a majority of the Directors in office. Resolutions are adopted by the vote of a majority of the Directors attending the meetings.

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 ("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").

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 Law on Banking, 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.

Finally, Article 15 and Article 26 of the Bank's Articles of Association state respectively that the directors shall not hold positions as members of the board of directors, the management board or the supervisory board of competitor banks and 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). In addition, the statutory auditors may only hold positions in control bodies in other Group companies or in companies in which the Bank holds, directly or indirectly, a strategic interest.

To 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 Law on Banking. 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 the Bank'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.

On May 8, 2015, the Board of Directors performed the assessment of the independence and other requirements of the Directors and Statutory Auditors appointed by the shareholders on April 16, 2015. The Board of Directors positively assessed the independence requirements, as set forth in the Bank's Articles of Association, in relation to the following: Stefania Bariatti, Daniele Bonvicini, Lucia Calvosa, Maria Elena Cappello, Alessandro Falciai, Fiorella Kostoris, Antonino Turicchi, and Stefania Truzzoli, in compliance with the TUF and the criteria set forth by the Corporate Governance Code, after taking into consideration the financial relationship between the foregoing Directors and the Bank, as set forth in the Supervisory Regulations. In relation to Mrs. Fiorella Bianchi, who had declared herself as independent when submitting for appointment as Director, the Board of Directors assessed her independence pursuant only to the provisions of the TUF, but not to the Corporate Governance Code, given the significant financial relationships between the Bank and the

companies of the group in which Mrs. Bianchi is general manager. Mrs. Bianchi remains in charge as non-independent Director of the Bank, pursuant to the Articles of Association.

As prescribed by the Corporate Governance Code, the Supervisory Provisions concerning bank's corporate governance issued by the Bank of Italy (Circular no. 285/2013, Title V, Chapter 5) and the its Regulation, the Board of Directors performed the annual self-assessment (the last time during its meeting of March 4, 2015).

Chief Executive Officer

The Chief Executive Officer, an executive director, exercises his functions within the limits of his powers and by the means established by the Board of Directors.

In the case of absence or impediment of the Chairman or the Deputy Chairman, the powers in cases of urgency are assigned to the Chief Executive Officer.

The current Chief Executive Officer is Fabrizio Viola, who was re-confirmed by the Bank's Board of Directors on April 20, 2015.

Statutory Auditing

The current Board of Statutory Auditors was appointed by the ordinary meeting of the shareholders of BMPS on April 16, 2015 and remains in office until the date of the shareholders' meeting called to approve the financial statements for the year ending December 31, 2017.

The Board of Statutory Auditors is currently comprised of the following members.

| Name | Position | Date of birth |
|--------------------------|-------------------|----------------------|
| Elena Cenderelli | President | August 27, 1947 |
| Anna Girello | Statutory Auditor | March 13, 1971 |
| Paolo Salvadori | Statutory Auditor | July 21, 1947 |
| Gabriella Chersicla | Alternate Auditor | May 2, 1962 |
| Carmela Regina Silvestri | Alternate Auditor | September 2, 1967 |

The members of the Board of Statutory Auditors all have domicile for their position at the Bank's registered office.

No member of the Board of Statutory Auditors has any kinship relationship with any other member of the Board of Statutory Auditors or with any member of the Board of Directors, the Financial Reporting Officer, the General Manager or any manager with strategic responsibility of the Bank. The following table sets out the positions as members of boards of directors, management and boards of statutory auditors held by the current members of the

Bank's Board of Statutory Auditors outside the Group and the qualifying shareholdings (by which is meant shareholdings exceeding 2% of share capital in companies with listed shares and 10% in unlisted 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 owns shares | Status of ownership |
|------------------|--|---------------------------|-------------------------------------|----------------------------|
| Elena Cenderelli | Director of Cassa di Risparmio di San Miniato S.p.A. | Past | | |
| Anna Girello | Chairman of the Board of Statutory Auditors of Del Santo S.p.A. | Current | Partner in Studio Girello s.s. | Current |
| | Chairman of the Board of Statutory Auditors of Ceretto Aziende Vitivinicole S.r.l. | Current | Bellaria S.r.l. in liquidation | Current |
| | Chairman of the Board of Statutory Auditors of Fin Bal S.r.l. | Current | Getto Design S.r.l. | Current |
| | Chairman of the Board of Statutory Auditors of Finvezza S.r.l. | Current | | |
| | Chairman of the Board of Statutory Auditors of Finceretto S.r.l. | Current | | |
| | Chairman of the Board of Statutory Auditors of Italgelatine S.p.A. | Current | | |
| | Chairman of the Board of Statutory Auditors of | Current | | |

| Name | Position held outside the Group | Status of Position | Company in which owns shares | Status of ownership |
|-------------|---|---------------------------|-------------------------------------|----------------------------|
| | Ondalba S.p.A. | | | |
| | Statutory Auditor of E.I. Towers S.p.A. | Current | | |
| | Statutory Auditor of Sedamyl S.p.A. | Current | | |
| | Statutory Auditor of Magazzini Montello S.p.A. | Current | | |
| | Statutory Auditor of Oikos 2006 S.r.l. | Current | | |
| | Statutory Auditor of H7 S.p.A. (in liquidation) | Current | | |
| | Sole Director of Green Gestioni e Servizi S.r.l. | Current | | |
| | Director of Getto Design S.r.l. | Current | | |
| | Director of Studio Girello S.s. | Current | | |
| | Statutory Auditor of C.s. Union S.p.A. | Current | | |
| | Statutory Auditor of St.Ing. S.p.A. | Past | | |
| | Director of Immobiliare Novi S.r.l. | Past | | |
| | Statutory Auditor of Aniwel S.r.l. | Past | | |
| | Sole Director of Bellaria S.r.l. (in liquidation) | Past | | |
| | Chairman of the Board of Directors of | Past | | |

| Name | Position held outside the Group | Status of Position | Company in which owns shares | Status of ownership |
|---------------------|---|---------------------------|-------------------------------------|----------------------------|
| | Screen Group S.r.l. (in liquidation) | | | |
| | Statutory Auditor of A.M.F. S.p.A. | Past | | |
| Paolo Salvadori | Chairman of the Board of Auditors of AXA MPS Assicurazioni Vita S.p.A. | Current | Finlie S.r.l. | Current |
| | Chairman of the Board of Auditors of AXA MPS Assicurazioni Danni S.p.A. | Current | | |
| | Director of BP Finanziaria S.p.A. | Current | | |
| | President of the Board of Auditors of Immobiliare Due Ponti S.p.A. | Current | | |
| | Chairman of the Board of Auditors of MA Centro Inossidabili S.p.A. | Current | | |
| | President of Collegio Sindacale di Consigliere di BP Finanziaria S.p.A. | Current | | |
| | President of the Board of Auditors of Piccini Ugo e Figlio S.p.A. | Past | | |
| Gabriella Chersicla | Chairman of the Board of Directors of | Current | | |

| Name | Position held outside the Group | Status of Position | Company in which owns shares | Status of ownership |
|--------------------------|--|--------------------|------------------------------------|---------------------|
| Carmela Regina Silvestri | Parmalat S.p.A. | Current | Director of Maire Tecnimont S.p.A. | |
| | Member of the Supervisory Body of Banca Popolare di Milano Soc. Coop. A r.l. | | | Current |
| | Statutory Auditor of RCS MediaGroup S.p.A. | Current | | |
| | Chairman of the Board of Statutory Auditors of Webank S.p.A. | Past | | |
| | Statutory Auditor of Fullsix S.p.A. | Past | | |
| | Chairman of the Board of Statutory Auditors of Cedel Coop Sociale S.c.a r.l. | Current | | |
| | Alternate Statutory Auditor of Amway S.p.A. | Current | | |
| | Director of IDI Farmaceutici S.r.l. | Current | | |
| | Special commissioner of PICFIC under extraordinary administration | Current | | |
| | Special commissioner of Elea S.p.A. under extraordinary administration | Current | | |
| Liquidator of | Current | | | |

| Name | Position held outside the Group | Status of Position | Company in which owns shares | Status of ownership |
|-------------|---|---------------------------|-------------------------------------|----------------------------|
| | Gruppo F.lli Costanzo S.p.A. under extraordinary administration | | | |
| | Liquidator of Gruppo Keller S.p.A. under extraordinary administration | Current | | |
| | Liquidator of Nuova Cartiera di Arbatax S.p.A. under administration | Current | | |
| | Statutory Auditor of Sorgente SGR S.p.A. | Past | | |
| | Statutory Auditor of Rorascuole S.p.A. | Past | | |
| | Statutory Auditor of Stage Entertainment S.p.A. | Past | | |
| | Statutory Auditor of ICIS S.p.A. | Past | | |
| | Statutory Auditor of Rossifloor S.p.A. | Past | | |
| | Chairman of the Board of Directors of Ecofusina S.c.a r.l. | Past | | |

General Manager

The General Manager must meet the requirements of integrity, professionalism and independence provided by law and the verification of these requirements, carried out by the Board of Directors, must be notified to the Bank of Italy in accordance with Italian banking legislation.

The current General Manager, appointed by the Board of Directors on January 12, 2012, is Fabrizio Viola, who from May 3, 2012 also holds the position of Chief Executive Officer.

The General Manager is appointed by the Board of Directors, which may also remove him from office or suspend him. The General Manager attends the meetings of the Board of Directors and the Executive Committee although he has no voting rights, and submits proposals and reports to those bodies providing the underlying reasons, as part of his activities under the Bank's Articles of Association.

The General Manager deals with all the ordinary business operations and proceedings that are not expressly reserved for the Board of Directors and that are not delegated by the Board to the Executive Committee or the Chief Executive Officer. In addition, he presides over the Bank's organizational structure, for which he has responsibility, implements the resolutions of the Board of Directors, the Executive Committee and the Chief Executive Officer and exercises powers of coordination of the activities of the Group's subsidiaries in accordance with the general directives and the criteria established by the Board of Directors.

Financial Reporting Officer

On May 14, 2013, in accordance with Article 31 of the Bank's Articles of Association, Board of Directors appointed Arturo Betunio as Financial Reporting Officer, starting from the date on which he was employed (June 10, 2013) as Head of Administration and Accounting.

Until that date, the position of Financial Reporting Officer was held by the Bank's Chief Financial Officer, Bernardo Mingrone.

Senior Management

The following table provides information about the Bank's managers with strategic responsibilities as of the date hereof.

| Name | Position | Date of birth |
|--------------------|--|----------------------|
| Fabrizio Viola | General Manager and Chief Executive Officer | January 19, 1958 |
| Angelo Barbarulo | Head of Credit Department | November 17, 1954 |
| Bernardo Mingrone | Chief Financial Officer and Head of Department of Finance and Operations | July 8, 1974 |
| Marco Bragadin | Head of Retail and Network | April 2, 1967 |
| Ilaria Dalla Riva | Head of Human Resources, Organization and Public Relations | November 20, 1970 |
| Alfredo Montalbano | Chief Operating Officer | November 16, 1966 |

| Name | Position | Date of birth |
|------------------|---|----------------------|
| Andrea Rovellini | Head of Risk Management | February 15, 1959 |
| Sergio Vicinanza | Head of Corporate and Investment Banking | May 13, 1958 |
| Arturo Betunio | Head of Administration and Accounting and Manager and Financial Reporting Officer | January 13, 1965 |

The address of the senior management of the bank for the duties they discharge is: Piazza Salimbeni 3, Siena, Italy.

Main Shareholders as at the date of the 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% |
| BTG Pactual Europe LLP (discretionary asset management) | 3.130% |
| People's Bank of China | 2.010% |

(*) AXA France IARD, AXA Belgium, AXA Assicurazioni S.p.A., AXA Assurances Vie Luxembourg, AXA Assurances Luxembourg, AXA Leben AG, AXA Versicherungen AG, AXA Insurance UK Plc, AXA Seguros Generales S.a. de Seguros y Reaseguros, AXA Portugal Companhia de Seguros S.a., AXA Versicherung AG, AXA krankenversicherung AG.

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: (i) 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 December 31, 2014 and as estimated at December 31, 2013²⁰, 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 Regulation²¹.

| Capital Adequacy (Basel III) | As at December 31, 2014 | As at December 31, 2013 (<i>pro forma</i>) |
|-------------------------------------|------------------------------------|---|
| | <i>(€ millions except %)</i> | |
| Common Equity Tier 1 | 6,608 | 8,752 |
| Tier 1 | 6,608 | 8,752 |
| Tier 2 | 3,293 | 3,528 |

²⁰ The capital indicators and supervisory coefficients as at December 31, 2013 have been extracted from the 2014 Audited Consolidated Financial Statements and have been recalculated, for comparison purposes only, applying the Basel III rules in force at January 1, 2014, and reflecting ECB recommendations regarding the treatment of certain items in place at December 31, 2014, namely: (i) the elimination of the prudential filter on unrealized gains and losses with respect to exposures to the Republic of Italy related to the “Alexandria” transaction with Nomura accounted for in the AFS portfolio; (ii) the impact of the treatment of own shares included in OICR funds (the so-called “look-through”); (iii) the method of calculating the premium on Common Equity Tier 1 to determine the deductions applied to capital; and (iv) the consolidation of Patagonia Finance S.A., a vehicle that invests in subordinated bonds issued by the Bank.

²¹ 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 (except, upon explicit request from the ECB, the entire negative AFS reserve relating to the sovereign exposure in the “Alexandria” transaction); (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.

| | | |
|-------------------------------------|------------------------------------|---|
| Capital Adequacy (Basel III) | As at December 31, 2014 | As at December 31, 2013 (<i>pro forma</i>) |
|-------------------------------------|------------------------------------|---|

(€ millions except %)

| | | | | |
|----------------------------|--------|---|--------|---|
| Total Capital | 9,900 | | 12,279 | |
| RWAs | 76,220 | | 83,749 | |
| Common Equity Tier 1 Ratio | 8.7 | % | 10.4 | % |
| Tier 1 Ratio | 8.7 | % | 10.4 | % |
| Total Capital Ratio | 13.0 | % | 14.7 | % |
| RWA/Total assets | 41.5 | % | 42.2 | % |

The Common Equity Tier 1 Ratio of the Group of 8.7% at December 31, 2014 and of 8.1% at March 31, 2015 would be approximately 6.5% and 7.1% on a “fully phased” basis²². The Common Equity Tier 1 Ratio on a fully phased basis for December 31, 2014 and for March 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.

²² 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 will be excluded.

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 Legislative Decree number 385 of 1 September 1993 "*Testo Unico delle Leggi in materia bancaria e creditizia*", 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 MPS 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. 1.2 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 bureau 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
- (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 still 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 new procedure called “Managing Delinquency” which explicitly allows the tracing of actions for the upgrade and/or regularisation of the position.

In parallel, an automatic procedure sends reminder letters at specific deadlines: 45days, 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:

- after 30 days overdue

or

- if amount unpaid are over certain thresholds

and

- if the “*IRA*” is greater of certain thresholds

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 Area (*Area Recupero Crediti - ARC*);
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 Retail Industrialized, 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 *incaglio*).

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 Gestione 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 € 20,000.00;
 - 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.

THE GUARANTOR

Introduction

The Guarantor was incorporated in the Republic of Italy on 08 September 2009 pursuant to Law 130 as a limited liability company (società a responsabilità limitata) 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 18 May 2010. The Guarantor is registered at the Companies' Registry of Treviso under registration number 04323680266. The registered office of the Guarantor is at Via V. Alfieri, 1, 31015 Conegliano (TV), Italy and its telephone number is 0039 0438 360926. The Guarantor is registered under registration number 41746 in the general register (elenco generale) held by the Bank of Italy pursuant to Article 106 of the Consolidated Banking Loan. 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. ²³ | 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.

²³ Whose 100% is held by Stichting Cima.

Stichting Cima is a Dutch foundation, whose sole director is Intertrust (Netherlands) B.V.

| 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 Loan and Securitisation Department of Banca Monte dei Paschi di Siena S.p.A.. |
| Andrea Fantuz | Director and Managing Director | Andrea Fantuz, Analyst of Finanziaria Internazionale Securitisation Group S.p.A. |
| Tamara Haegi | Director and Managing Director | 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 Agreement, 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 be 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 of 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 terms 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 Legali*) pursuant to Ministerial Decree dated 06.11.2007 (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 are registered on the special register (*Albo Speciale*) maintained by CONSOB pursuant to the Financial Laws Consolidation Act and in the register of accountancy auditors (*Registro dei Revisori Contabili*), 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 2013 and the year ended on 31 December 2014.

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 sixth financial year (31 December 2014).

The financial statement of the Guarantor for the year ended on 31 December 2014 (the end of its sixth financial year), as approved by the meeting of the quotaholders of the Guarantor on 9 April 2015, 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 2014. 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 01 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 01 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 and in the fifth 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 and in the fifth 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 bilancio*) 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 become 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.

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, annulability 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:

$$A + B \geq OBG$$

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:

$$(A+B+C+D-E) \geq IOBG$$

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:

$$A-X+B+C-Z-Y-W \geq OBG$$

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 then 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:

$$\mathbf{A+B+C-Z \geq OBG}$$

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:

$$\text{GAp} = 1 / (75\% * (1/\text{AP}-1)+1)$$

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 129,304 as at 30 June 2015 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.

"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%;
39. 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 CONSOB pursuant to article 161 of the Financial Laws Consolidation Act 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 CONSOB pursuant to the Financial Laws Consolidation Act, 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 time (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.

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 \geq 9%; and - Common Equity Tier 1 ratio \geq 8% | No limitation |
| "B" range | - Tier 1 ratio \geq 8%; and - Common Equity Tier 1 ratio \geq 7% | Up to 60% of eligible assets may be transferred |
| "C" range | - Tier 1 ratio \geq 7%; and - Common Equity Tier 1 ratio \geq 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 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 Base 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 Notes) 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 opted for the application of the *risparmio gestito* 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 institution other than companies and trusts not carrying out mainly or exclusively commercial activities; 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. substitute tax 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. A withholding tax of 20 per cent. is levied on proceeds accrued up to 30 June 2014 and received by certain categories of unitholders or shareholders upon redemption or disposal of the units or shares.

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.

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 country which allows for a satisfactory exchange of information with Italy (the "**White List States**") as listed (i) in the Italian Ministerial Decree dated 4 September 1996, as amended from time to time, or (ii) as from the fiscal year in which the decree pursuant to article 168-bis of Decree No. 917 is effective, in the list of States allowing an adequate exchange of information with the Italian tax authorities as per the decree issued to implement Article 168-bis, paragraph 1 of Decree No. 917 (for the 5 years starting on the date of publication of the Decree in the Official Gazette, States and territories that are not included in the current black-lists set forth by Italian Ministerial Decrees of 4 May 1999, 21 November 2001 and 23 January 2002 nor in the current white list set forth by Italian Ministerial Decree of 4 September 1996 are deemed to be included in the new white-list); 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 which allows for a satisfactory exchange of information with Italy.

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. if the payment is made to non-Italian resident Bondholders. 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. A withholding tax of 20 per cent. is levied on proceeds accrued up to 30 June 2014 and received by certain categories of unitholders or shareholders upon redemption or disposal of the units or shares.

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.

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 White List States 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.

Decree No. 239 also provides for additional exemptions from the *imposta sostitutiva* for payments of Interest in respect of the Covered Bonds made to (i) international entities or bodies set up in accordance with international agreements which have entered into force in Italy; (ii) Central Banks or entities which manage, *inter alia*, the official reserves of a foreign State; or (iii) "institutional investors", whether or not subject to tax, which are established in White List States.

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 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.

On 24 March 2014, the Council of the European Union formally adopted the Amending Directive, thus broadening the scope of the requirements described above. Member States are required to implement national legislation giving effect to these changes by 1 January 2016. That domestic legislation must be applied from 1 January 2017. The changes made under the Amending Directive include extending the scope of the EU Savings Tax Directive to payments made to, or collected for, certain other entities and legal arrangements. They also broaden the definition of "interest payment" to cover income that is equivalent to interest.

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.

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

Implementation in Italy of the Savings Directive

Italy has implemented the Savings Directive through Legislative Decree No. 84 of 18 April 2005 ("**Decree No. 84**"). Under Decree No. 84, subject to a number of important conditions being met, for interest paid to individuals which qualify as beneficial owners of the interest payment and are resident for tax purposes in another Member State, Italian qualified paying agents shall not apply the withholding tax. Instead, they 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.

LUXEMBOURG TAXATION

The following is a summary of certain Luxembourg tax considerations relating to the Covered Bonds. It does not purport to be a complete analysis of all tax considerations relating to the Covered Bonds, whether in Luxembourg or elsewhere. Prospective purchasers of the Covered Bonds should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of the Covered Bonds and receiving payments of interest, principal and/or other amounts under the Covered Bonds and the consequences of such actions under the tax laws of Luxembourg. This summary is based upon the law as in effect on the date of this Prospectus. The information contained within this section is limited to withholding tax issues, and prospective investors should not apply any information set out below to other areas, including (but not limited to) the legality of transactions involving the Covered Bonds.

Withholding Tax

All payments of interest and principal by the Issuer in the context of the holding, disposal, redemption or repurchase of the Covered Bonds can be made free and clear of any withholding or deduction for or on account of any taxes of whatsoever nature imposed, levied, withheld, or assessed by Luxembourg or any political subdivision or taxing authority thereof or therein, in accordance with the applicable Luxembourg law, subject however:

- (i) with respect to Luxembourg non-resident investors, to the application of the Luxembourg laws of 21 June 2005 implementing the EU Savings Directive (Council Directive 2003/48/EC) and several agreements concluded with certain dependent or associated territories and providing for the possible application of a withholding tax (20% from 1 July 2008 to 30 June 2011 and 35% from 1 July 2011) on interest paid to certain non Luxembourg resident investors (individuals and certain types of entities called "residual entities") in the event of the Issuer appointing a paying agent in Luxembourg within the meaning of the above-mentioned directive (see section "EU Savings Directive" below) or agreements;
- (ii) with respect to Luxembourg resident investors, to the application as regards Luxembourg resident individuals of the Luxembourg law of 23 December 2005 which has introduced a 10% final withholding tax (which is final when Luxembourg resident individuals are acting in the context of the management their private wealth) on savings income (i.e. with certain exemptions, savings income within the meaning of the Luxembourg laws of 21 June 2005 implementing the EU Savings Directive (Council Directive 2003/48/EC)). This law should apply to savings income accrued as from 1 July 2005 and paid as from 1 January 2006.

Responsibility for the withholding of tax in application of the above-mentioned Luxembourg laws of 21 June 2005 and 23 December 2005 is assumed by the Luxembourg paying agent within the meaning of these laws and not by the Issuer.

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. Each Dealer has represented and agreed that 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 Legislative Decree No. 58 of 24 February 1998, CONSOB Regulation No. 16190 of 29 October 2007 and Legislative Decree No. 385 of 1 September 1993 (in each case as amended from time to time); and
- (b) 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 06 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 paragraph 9 (*Legal risks*) from page 223 to page 243 and paragraph 10 (*Tax litigation*) on page 243 to page 246 and following under Section "*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*".

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 31 March 2015 there has been no significant change in the financial or trading position of the Issuer and of Montepaschi Group and since 31 December 2014 there has been no material adverse change in the prospects of, respectively, the Issuer and the Guarantor. Since 31 December 2014 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 2013 and 31 December 2014;
- (c) the unaudited quarterly consolidated financial report of the Issuer as at and for the period ended 31 March 2014 and 31 March 2015;
- (d) the financial statements of the Guarantor as at and for the years ended 31 December 2013 and 31 December 2014;
- (e) the auditors' reports for the Issuer for the financial year ended 31 December 2013 and for the year ended 31 December 2014;
- (f) the auditors' reports for the Guarantor for the financial year ended 31 December 2013 and for the year ended 31 December 2014;
- (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 are registered on the special register (*Albo Speciale*) maintained by CONSOB pursuant to the Financial Laws Consolidation Act and in the register of accountancy auditors (*Registro dei Revisori Contabili*), in compliance with the provisions of Decree No. 88 to act as Issuer's auditor commencing on 30 June 2011. 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 2013 and for the year ended 31 December 2014.

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 2013 and the year ended on 31 December 2014.

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.

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-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, 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 depository 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 depository institution or trust company (or, in the case of the principal depository 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 to 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" 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 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 $(1 + \text{Negative Carry Factor} \times (\text{days to maturity of the relevant Series or Tranche of Covered Bonds}/365))$ 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 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.

"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 of 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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