



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. 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). 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: Ba1 by Moody's Investors Service Limited ("**Moody's**") and A by Fitch

Ratings Ltd. ("**Fitch**" and, together with Moody's, 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 AND DEALERS FOR THE PROGRAMME

Morgan Stanley



The date of this Prospectus is 20 December 2013.

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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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.

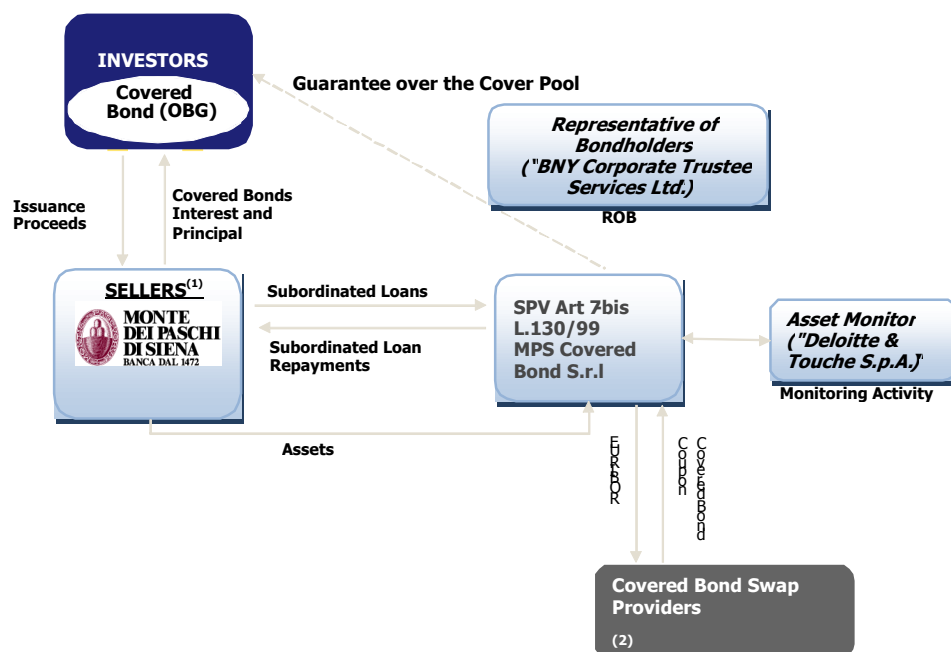
The terms and conditions applicable to any particular Series or Tranche of Covered Bonds will be the conditions set out in the section entitled "*Conditions of the Covered Bonds*", as completed in the relevant Final Terms or amended and/or replaced to the extent described in the Drawdown Prospectus.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

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 an Issuer Default 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 an Issuer Default 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 an Issuer Default 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. Accordingly, until the delivery of an Issuer Default 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 an Issuer Default 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 an Issuer Default 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 an Issuer Default 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.
- *Pre-Maturity Test*: In the 12 months period preceding the maturity date of the relevant Series or Tranche of Hard Bullet Covered Bonds the Pre-Maturity Test shall be met in order to ascertain that sufficient liquidity will be available for the relevant Series or Tranche of Hard Bullet Covered Bonds to be redeemed on the relevant Maturity Date. For a more detailed description, see section "*Credit structure - Tests*" below.
- *Extendable obligations under the Guarantee*: An Extended Maturity Date may be specified as applying in relation to a Series or Tranche of Covered Bonds (other than Hard Bullet Covered Bonds) in the applicable Final Terms. This means that if the Issuer fails to pay the Final Redemption Amount of the relevant Series or Tranche of Covered Bonds on the relevant Maturity Date and if 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 an Issuer Default 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 payment of the unpaid amount pursuant to the Guarantee shall be automatically deferred and shall become due and payable one year later on the Extended Maturity Date (subject to any applicable grace period). 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 Interest 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 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 an Issuer Default 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 an Issuer Default 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 Italy as a *società per azioni*, having its registered office at via Vittorio Alfieri, 1, Conegliano (TV), Italy, fiscal code and enrolment with the Companies' Register of Treviso number 03546510268, enrolled under number 31816 in the register held by the Bank of Italy pursuant to article 106 and subject to guidance and coordination of Finanziaria Internazionale Holding S.p.A., further to its accession to the Master Servicing Agreement and to the Programme on 3 April 2012.

Back-up Servicer

Securitisation Services S.p.A., or any eligible counterparty appointed upon downgrading of the Servicer below "Baa3" by Moody's and "BBB-" Fitch, pursuant to the Servicing Agreement.

Principal Subordinated Lender

BMPS, pursuant to the Subordinated Loan Agreement.

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

Additional Subordinated Lender(s)

Each Additional Seller will act as Subordinated Lender in respect of the Assets transferred by itself to the Guarantor.

On 27 May 2011, BAV became a Subordinated Lender following the execution of a Subordinated Loan Agreement with the Guarantor. Following the Merger, BMPS assumed all rights and obligations of BAV in the capacity as Additional Subordinated Lender under the Programme and any reference to BAV in the Programme Documents shall be deemed to be referred to BMPS, which takes over any and all activities and roles previously carried out by BAV.

Cash Manager

Pursuant to the Cash Allocation, Management and Payments Agreement, Banca Monte dei Paschi di Siena S.p.A., acting through its London branch.

Principal Paying Agent

The Bank of New York Mellon (Luxembourg) S.A., Italian Branch, a bank incorporated under the laws of Grand Duchy of Luxembourg, having its registered office at Vertigo Building - Polaris – 2-4 rue Eugène Ruppert - L-2453, Luxembourg, Grand

Duchy of Luxembourg, acting through its Milan branch with offices at 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 "*filiale di banca estera*" under number 5662 and with ABI code 3351.4.

Guarantor Calculation Agent

Securitisation Services S.p.A.

Test Calculation Agent

Prior to an Issuer Event of Default, Banca Monte dei Paschi di Siena S.p.A., in its capacity as Pre-Issuer Default Test Calculation Agent and, after an Issuer Event of Default, the Guarantor Calculation Agent, which will act in its capacity as Post-Issuer Default Test Calculation Agent.

Pre-Issuer Default Test Calculation Agent

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

Post-Issuer Default Test Calculation Agent

Securitisation Services S.p.A.

Italian Account Bank

Banca Monte dei Paschi di Siena S.p.A. subject to it being an Eligible Institution.

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.

| | |
|--|---|
| 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. |
| 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

Morgan Stanley & Co. International plc, a public limited company incorporated under the laws of England, acting through its branch at 25 Cabot Square, Canary Wharf, London E14 4QA, United Kingdom;

MPS Capital Services Banca per l'Impresa S.p.A., a joint stock company (*società per azioni*) incorporated under the laws of the Republic of Italy, having its registered office at Via Pancaldo, 4, 50127 Firenze, Italy, fiscal code and enrolment with the companies register of Firenze number 00816350482;

The Royal Bank of Scotland plc, a public limited company incorporated under the laws of England, acting through its branch at 135 Bishopsgate, London EC2M 3UR, United Kingdom.

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 will issue Covered Bonds (*Obbligazioni Bancarie Garantite*) to Bondholders on each Issue Date. The Covered Bonds will be direct, unsubordinated, unsecured and unconditional obligations of the Issuer guaranteed by the Guarantor under the Guarantee.

Programme Limit

The aggregate nominal amount of the Covered Bonds at any time outstanding will not exceed Euro 10,000,000,000 (or its equivalent in other currencies to be calculated as described in the Programme Agreement subject to any increase thereof). The Issuer may however increase the aggregate nominal amount of the Programme in accordance with the Programme Documents.

THE COVERED BONDS

Form of Covered Bonds

Unless otherwise specified in the relevant Terms and Conditions and Final Terms, the Covered Bonds will be issued in bearer and dematerialised form and held on behalf of their ultimate owners by Monte Titoli for the account of Monte Titoli Account Holders and title thereto will be evidenced by book entries. Monte Titoli will act as depository for Euroclear and Clearstream. No physical document of title will be issued in respect of any such bearer and dematerialised Covered Bonds.

Denomination of Covered Bonds

The Covered Bonds will be issued in such denominations as may be specified in the relevant Final Terms, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements and save that the minimum denomination of each Covered Bond admitted to trading on a regulated market within the European Economic Area or offered to the public in a member state of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive will be €100,000 (or where the relevant Series or Tranche is denominated in a currency other than euro, the equivalent amount in such other currency).

Status of the Covered Bonds

The Covered Bonds will constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer and will rank *pari passu* without preference among themselves and (save for any applicable statutory provisions) at least equally with all other present and future unsecured and unsubordinated obligations of the Issuer from time to time outstanding.

Specified Currency

Subject to any applicable legal or regulatory restrictions, each Series or Tranche of Covered Bonds will be issued in such currency or currencies as may be agreed from time to time by the Issuer,

the relevant Dealer(s), the Principal Paying Agent and the Representative of the Bondholders, subject to prior notice to the Rating Agencies (as set out in the applicable Final Terms) subject to compliance with all applicable legal, regulatory and/or central bank requirements.

Maturities

The Covered Bonds will have such Maturity Date as may be agreed between the Issuer and the relevant Dealer(s) and indicated in the applicable Final Terms, subject to such minimum or maximum maturities as may be allowed or required from time to time by any relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.

Redemption

The applicable Final Terms relating to each Series or Tranche of Covered Bonds will indicate either that the Covered Bonds of such Series or Tranche of Covered Bonds cannot be redeemed prior to their stated maturity (other than in specified instalments if applicable, or for taxation reasons or if it becomes unlawful for any Covered Bond to remain outstanding or following a Guarantor Event of Default) or that such Covered Bonds will be redeemable at the option of the Issuer upon giving notice to the Bondholders on a date or dates specified prior to the specified Maturity Date and at a price and on other terms as may be agreed between the Issuer and the Dealer(s) as set out in the applicable Final Terms.

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

Redemption at the option of Bondholders

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

Extended Maturity Date

The applicable Final Terms relating to each Series or Tranche of Covered Bonds (other than a Hard

Bullet Covered Bond) issued may 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 if an Issuer Default Notice has been delivered, having the Issuer failed to pay the Final Redemption Amount on the Maturity Date for such Series or Tranche of Covered Bonds and if the Guarantor does not pay the final redemption amount in respect of the relevant Series or Tranche of Covered Bonds (for example, because the Guarantor has insufficient funds) by the Extension Determination Date.

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 may be paid, in accordance with the applicable Priority of Payments, by the Guarantor on any Interest Payment Date thereafter according to the relevant Final Terms, up to (and including) the relevant Extended Maturity Date.

Interest will continue to accrue and be payable on the unpaid amount at a rate equal to three month EURIBOR up to the Extended Maturity Date, subject to and in accordance with the provisions of the relevant Final Terms.

If the duration of the Covered Bond is extended, the Extended Maturity Date shall be the date falling one calendar year after the relevant Maturity Date.

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).

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.

Bullet Covered Bonds

Covered Bonds which will be redeemed in full on the relevant Maturity Date without any provision for scheduled redemption other than on the Maturity Date and in relation to which an Extended Maturity Date may or may not apply.

Hard Bullet Covered Bonds

Covered Bonds which will be redeemed in full on the relevant Maturity Date without any provision for scheduled redemption other than on the Maturity Date and in relation to which no Extended Maturity Date provisions shall apply.

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, Bullet Covered Bonds, Hard Bullet 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 |
| Ba1 | A |

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 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 an Issuer Default 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;
- (c) the purchase price for any Eligible Assets or Top-Up Assets to be acquired by the Guarantor shall be paid only using the proceeds of a Term Loan; and
- (d) payments due under the Covered Bonds will continue to be made by the Issuer until an Issuer Default 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*: 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 days, in case of amounts of interest, or 7 days, in case of amounts of principal, as the case may be;
- (ii) *Breach of other obligation*: a material breach by the Issuer of any obligation under the Programme Documents occurs and such breach is not remedied within 30 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; or
- (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*: the Issuer ceases to carry on its primary business in accordance with its corporate object (*oggetto sociale*); 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; or
- (vii) *Breach of Pre-Maturity Test*: the Pre-Maturity Test in respect of any Series or Tranche of Hard Bullet Covered Bonds is breached on the relevant Pre-Maturity Test Date falling less than 12 months prior to the Maturity Date of that Series or Tranche of Hard Bullet Covered Bonds, and the breach has not been cured before the earlier to occur of (i) 14 calendar days from the date that the Issuer is notified of the breach of the Pre-Maturity Test and (ii) the Maturity Date of the relevant Series or Tranche of Hard Bullet Covered Bonds, unless a resolution of the Bondholders is passed

resolving otherwise.

If any of the events set out in points from (i) to (vii) above (each, an "**Issuer Event of Default**") occurs and is continuing, then the Representative of the Bondholders shall serve an Issuer Default Notice on the Issuer and the Guarantor demanding payment under the Guarantee, and specifying, in case of the Issuer Event of Default referred to under item (iv) above, that the Issuer Event of Default may be temporary.

Upon the service of an Issuer Default Notice:

- (a) *Application of the Segregation Event provisions*: the provisions governing the Segregation Event from item (a) to (c) shall apply; or
- (b) *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 relevant 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;
- (c) *Disposal of Assets*: the Guarantor shall 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 (c) (*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.

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 Issuer Default Notice, 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 days after the Representative of the Bondholders has given written notice thereof to the Guarantor; or
- (iv) *Breach of the Amortisation Tests*: the Amortisation Tests is breached on any Test Calculation Date.

If any of the events set out in points from (i) to (iv) above (each, a "**Guarantor Event of Default**") occurs and is continuing then the Representative of the Bondholders shall serve 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:

- (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 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.

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 an Issuer Default Notice.

If, after the delivery of an Issuer Default Notice (provided that, should such Issuer Default Notice consists 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 an Issuer Default Notice or a Guarantor Default Notice, the Guarantor shall dispose of the assets included in the Cover Pool.

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*", "*Asset Coverage Test*", "*Amortisation Test*" and "*Pre-maturity Test*" of

section "*Structure Overview*" above.

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 an Issuer Default 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 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.

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.

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 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 an Issuer Default Notice (but prior to service of a Guarantor Default Notice)

After the service of an Issuer Default Notice on the Guarantor, but prior to service of a Guarantor Default Notice, the Guarantor (or the Principal Servicer on behalf of the Guarantor) shall sell the Eligible Assets and Top-Up Assets in the Cover Pool in accordance with the Cover Pool Management Agreement, subject to the right of pre-emption in favour of the Issuer, as Principal Seller, or any Additional Seller(s) in respect of such Eligible Assets and Top-Up Assets. The proceeds from any such sale will be credited to the Main Programme Account and applied as set out in the applicable Priority of Payments, provided that in case of an Issuer Default Notice specifying that the relevant Issuer Event of Default consists of an Article 74 Event, such provisions will only apply for as long as the Representative of the Bondholders will have delivered an Article 74 Event Cure Notice to the Issuer, the Guarantor and the Asset Monitor, informing such parties that the Article 74 Event has been cured.

The Eligible Assets and Top-Up Assets to be sold will be selected from the Cover Pool on a random basis by the Principal Servicer on behalf of the Guarantor (any such Eligible Assets and Top-Up Assets, the "**Selected Assets**").

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, 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.

RISK FACTORS

This section describes the principal 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 an Issuer Default 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 an Issuer Default 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 an Issuer Default 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, then payment of such Guaranteed Amounts shall be automatically deferred. This will occur if the Final Terms for a relevant Series and Tranche of Covered Bonds (other than Hard Bullet Covered Bonds) provides that such Covered Bonds are subject to an extended final maturity date (the "**Extended Maturity Date**") on which the payment of all or (as applicable) part of the Final Redemption Amount payable on the Maturity Date will be deferred in the event that the Final Redemption Amount is not paid in full on the Extension Determination Date.

To the extent that the Guarantor has received an Issuer Default 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*). If the Final Terms for a relevant Series or Tranche of Covered Bonds provides that such Covered Bonds are subject to an Extended Final Maturity Date, 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 Interest 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 one year 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.

It should be noted that on 8 February 2012, Belmont Park Investments PTY Limited and others commenced proceedings in the U.S. Bankruptcy Court in relation to LBSF seeking an order recognising and enforcing the English judgment on noteholder priority. Declaratory relief that the noteholder priority is valid and that the collateral can be distributed accordingly and without liability to the trustee, is also being sought. Those proceedings remain pending and are subject to a request to be transferred to the District Court. This is an aspect of cross border insolvency law which remains untested. So whilst the priority issue is considered largely resolved in England and Wales, concerns still remain that the English and U.S. courts will 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 notes.

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.

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 and Fitch 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 an Issuer Default 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 EC Council Directive 2003/48/EC on the taxation of savings income, 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 paying agent (within the meaning of the EU Savings Directive) within its jurisdiction to, or collected by such a paying agent for, an individual resident in that other Member State; however, for a transitional period, Austria and Luxembourg are instead required to apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35 per cent. The transitional period is to terminate at the end of the first full tax year following agreement by certain non EU countries to the exchange of information relating to such payments. Also a number of non EU countries, and certain dependent or associated territories of certain Member States, have agreed to adopt similar measures (either provision of information or transitional withholding) in relation to payments made by a paying agent within its jurisdiction to, or collected by such a paying agent for an individual resident 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 paying agent in a Member State to, or collected by such a paying agent for, an individual resident in one of those territories.

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 Issuer and other non-U.S. financial institutions through which payments on the Covered Bonds are made may be required to withhold U.S. tax at a rate of 30 per cent. on all, or a portion of, payments made after 31 December 2016, in respect of (a) any Covered Bonds issued or materially modified on or after the date that is six months after the date on which final regulations that define "foreign passthru payments" are published and (b) any Covered Bonds that are treated as equity for U.S. federal income tax purposes, whenever issued, pursuant to the foreign account tax compliance provisions ("**FATCA**") of the Hiring Incentives to Restore Employment Act of 2010. This withholding tax may be triggered if (i) the Issuer is a foreign financial institution ("**FFI**") (as defined in FATCA) which enters into an agreement with the U.S. Internal Revenue Service ("**IRS**") to provide certain information on its account holders (making the Issuer a "**Participating FFI**"), (ii) the payments it makes are classified as foreign passthru payments" and (iii) (a) an investor does not provide information sufficient for the relevant Participating FFI to determine whether the investor is subject to withholding under FATCA, (b) an investor does not consent, where necessary, to have its information disclosed to the IRS, or (c) any FFI to or through which payment on such Covered Bonds is made is not a Participating FFI or otherwise exempt from FATCA withholding. 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.

The application of FATCA to Covered Bonds issued or materially modified on or after the date that is six months after the date on which final regulations that define "foreign passthru payments" are published (the end of the grandfathering period) may be addressed in the relevant Final Terms or a supplement/supplementary prospectus to this Base Prospectus, as applicable.

The United States and Italy are in negotiation to adopt an intergovernmental agreement to implement FACTA which may modify the requirements described above. FATCA is particularly complex and its application to the Issuer, the Covered Bonds and the Covered Bondholders is uncertain at this time. Each Covered Bondholders should consult its own tax

adviser to obtain a more detailed explanation of FATCA and to learn how this legislation might affect each Covered Bondholders in its particular circumstance.

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. 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) the instructions of the Bank of Italy dated 17 May 2007 (as amended and supplemented on 24 March 2010) and any further clarification issued by the Bank of Italy concerning, *inter alia*, guidelines on the valuation of assets, the procedure for purchasing Top-Up 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.

Covered Bonds issued at a substantial discount or premium

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

Investment Considerations relating to the Issuer

Factors that may affect the Issuer's and Montepaschi Group's ability 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 (Law Decree of 31 January 2007, the "**Bersani Decree**");
- 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 and 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 instalments relating to mortgage loans for a 12 month period, where requested by the relevant Debtor during the period from 1 February 2010 to 31 March 2013, provided that the relevant requirements are satisfied on or before 28 February 2013 (Convention between ABI and the consumers' associations stipulated on 18 December 2009 and extended on, respectively, 26 January 2011, 25 July 2011, 31 January 2012, 31 July 2012 and on 30 January 2013, the "**Piano 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, 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.

The Bank's ability to deliver the actions and achieve the objectives set out in the Restructuring Plan and in the 2013-2017 Business Plan may be influenced by various factors, some of which are beyond the control of the Issuer or on which the Issuer only has partial control and that may not occur, partly occur or occur under different conditions or change during the Plan period, including failure to underwrite the capital increase envisaged in the Plan and occurrence of variance worse than the macroeconomic assumptions underlying the Restructuring Plan.

Failure to execute the actions envisaged in the Restructuring Plan and in the 2013-2017 Business Plan under the estimated timeframe and conditions and/or, in general, failure to achieve the objectives under the terms provided for in the Restructuring Plan and in the 2013-2017 Business Plan, with potential negative impacts on the Bank's and/or Group's assets and economic, capital and/or financial situation may require additional actions, including actions that envisage a significant contribution to the delivery of the Restructuring plan and the 2013-2017 Business Plan from the different stakeholders of the Issuer and/or the Group, as well additional capitalisation initiatives and/or extraordinary transactions other than the capital increase provided for in the Plan.

It is specified that, should market conditions prevent completion of the afore-mentioned capital increase within the timeframe set, the Restructuring Plan envisages conversion of the New Financial Instruments into new Bank shares, with consequent impact on the Bank's ownership and governance structure.

With regard to any potential initiatives adopted by the Issuer following approval of the Restructuring Plan and 2013-2017 Business Plan, investors are advised to consult any further disclosure that may be published on the Bank's corporate website under existing regulations.

Moreover, in the event that the initiatives set out in the Restructuring Plan prove to be inadequate and/or the Bank will not be able to implement actions within the time and in the terms estimated, such situation could have a material adverse effect on the patrimonial, economic or financial conditions of BMPS and the Group. In addition, if the Issuer is unable to repay New Financial Instruments within the time and in the manner already planned, it is possible that the ownership of the Issuer will profoundly change as a result of any conversion into shares of the New Financial Instruments that should be carried out by the Ministry of Economy and Finance.

Risks related to structured term repo transactions

Over previous financial years, the Group has put in place asset swap transactions relating to "Buoni Poliennali del Tesoro" financed by repo transactions with a maturity equal to the

natural maturity of the relevant security. In particular, the transactions made by the Group included in this category are two: "*Santorini*" and "*Alexandria*". The Issuer has decided not to qualify these transactions as credit default swaps in consideration of the operative methods used and also considering the financial purposes of these transactions. Furthermore, the accounting treatment of these transactions as synthetic derivative financial instrument would have produced significantly different impacts in the income statement, with a less relevant impact to the net assets of the Group. In addition, due to the different accounting classification of the individual financial components of these transactions, such representation would have resulted in differential impacts, substantially offsetting, to each supervisory portfolios' Value at Risk index, without, therefore, arising differential impacts on the overall accounts of the Group.

After completion of the necessary assessments by its auditing consultants, BMPS accounted for the transactions by considering the individual contractual components separately, in light of the operating practices adopted and the economic purpose pursued when they were put in place. It was therefore assessed that conditions did not apply for them to be classified as credit default swaps.

In consideration of the significant uncertainty surrounding the accounting method for the afore-mentioned term structured repo transactions, in-depth reviews have been carried out at national and international level on the different hypotheses of accounting treatment.

In this regard, on 10 December 2013 a specific notice was received from CONSOB which, pursuant to art. 114, paragraph 5 of the Financial Laws Consolidation Act, required the Bank - as of the financial statements published under art. 154-*ter* of the Financial Laws Consolidation Act - to provide, in a special section of the relevant Notes, an update of the information contained in the consolidated pro-forma financial statements regarding the impact of adjustments and reclassifications on Profit & Loss, Shareholders' Equity and other Comprehensive Income, resulting from the accounting treatment of long term structured repos in place as synthetic derivatives.

For more details about the above-mentioned potential impacts of the aforesaid transactions, see the pro forma data set out, respectively at pages 453 ss. of the annual financial statement as at 31 December 2012, at pages 211 ss. of the interim financial report as at 30 June 2013 and at pages 208 *et seq.* of the consolidated interim financial report as at 30 September 2013.

Please also refer to the consolidated financial statements entitled "*Adjustment of prior year balances in accordance with the provisions of IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors)*" of the consolidated financial statements as at 31 December 2012 (pages 103 ss and pages 162 ss.).

In general, within structured term repo transactions, the most significant risk to which the Bank is exposed is the Republic of Italy credit risk. As in respect of both transactions an asset swap transaction has been entered into in order to hedge the rate risk, the interest rate sensitivity of the position is residual in comparison with the sensitivity in relation to the creditworthiness of the Republic of Italy. The change in the Italian credit spread therefore causes a change in the AFS Reserve in the Group's balance sheets, which is represented in the overall profitability statement. The Bank is also exposed to a counterparty risk, but this risk is mitigated by a daily collateralization of the transactions.

Furthermore, with reference to the transaction “*Santorini*”, on 19 December 2013, the Bank and Deutsche Bank AG entered into an settlement agreement governing the terms and conditions for early termination of such transaction. In particular, based on calculations made by the Bank using its assessment parameters, early termination *per se* would have entailed a cost of approximately Euro 746 million (equal to the *mark-to-market* value of the overall position consisting in BTPs, *Long Term Repo* and *Interest Rate Swap*). As a result of the settlement agreement, the actual cost charged to the Bank was lowered to Euro 525 million and the claim for compensation brought by the Bank against Deutsche Bank AG in relation to the same transaction (as described in section “*Legal Proceedings*”) were resolved. Consequently, the Bank estimates the resulting economic benefit at approximately Euro 221 million.

For full information on the above please refer to the press release published on the website www.mps.it

The financial risk related to the Italian credit spread reflects into a similar risk on the liquidity side: because of the daily collateralization mechanism, in case of decrease in the value of the Bank’s transactions, the Bank shall integrate securities potentially in place, leading therefore to potential additions in the cash margins.

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.

Risks arising from the Eurozone sovereign debt crisis

The continued deterioration of the merit of credit of various countries, including, among others, Greece, Ireland and Portugal, together with the potential for contagion to spread to other countries in Europe, mainly Spain and Italy, has exacerbated the severity of the global financial crisis. Such developments have posed a significant risk to the stability and status quo of the European Monetary Union.

Rising market tensions might affect negatively the funding costs and economic outlook of some euro member countries, like in the case of the three bailed out countries. This, together with the risk that Greece might leave the euro area, would have a material and negative impact on the Group and/or on the Group's clients, with negative implications for the Group's business, results and the financial position.

Lingering market tensions might affect negatively the global economy and hamper the recovery of the euro area. Moreover, the tightening fiscal policy by some countries might weigh on the households' disposable income and on corporate profits with negative implications for the Group's business, results and financial position. This trend will likely continue in the coming quarters.

Any further deterioration of the Italian economy would have a material adverse effect on the Group's business, in light of the Group's significant exposure to the Italian economy. In addition, if any of the countries in which the Group operates entered recession again, the Group's results of operations, business and financial condition would be materially and adversely affected.

The European Central Bank's unconventional policy (including a security market programme and provision of liquidity via "Longer Term Refinancing Operations" (LTRO) with full allotment) has helped to ease tensions, limiting the refinancing risk for the banking system and leading to a tightening of credit spreads. In the event that the European Central Bank halted or reconsidered the current set up of unconventional measures, this would impact negatively the value of sovereign debt instruments. This would have a materially negative impact on the Group's business, results and financial position.

Despite the several initiatives of supranational organisations to deal with the heightened sovereign debt crisis in the euro area, global markets remain characterised by high uncertainty and volatility. If the current concerns over sovereign and bank solvency continue, there is a danger that inter-bank funding may become generally unavailable or available only at elevated interest rates, which might have an impact on the Group's access to, and cost of, funding. 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.

Risks in connection with the exposure of the Group towards Eurozone sovereign debt

In carrying out its activities, the Group holds substantial volumes of public-sector bonds, including bonds issued by Greece, Ireland, Portugal, Spain and Italy. As at 31 December 2012 the Group's total exposure in relation to these countries is approximately equal to €26.6 billion, almost entirely towards Italy (€26.1 billion). As at 30 September 2013 the Group's total exposure in relation to these countries is approximately equal to €26.3 billion, almost entirely towards Italy (98%). This could give rise to operational disruptions to the Group's business.

For more information, please refer to the Interim Report as at 30 September 2013 (page 151 *et seq.*).

Furthermore, BMPS is affected by disruptions and volatility in the global financial markets. In particular, BMPS's credit ratings are potentially exposed to the risk of reductions in the sovereign credit rating of Italy. On the basis of the methodologies used by rating agencies, further downgrades of Italy's credit rating may have a potential knock-on effect on the credit rating of Italian issuers such as BMPS and make it more likely that the credit rating of Covered Bonds issued under the Programme are downgraded.

Thus, any negative developments in the Group's sovereign exposure could adversely affect its results of operations, business and financial condition.

Certain events related to certain structured transactions and to the costs of human resources

After an extensive analysis BMPS confirmed the presence of errors in previous years in its financial statements relating to the accounting of the structured transactions denominated "Alexandria", "Santorini" and "Nota Italia" and to the costs of human resources. In relation to further and potential profiles of risk associated with, in particular, the accounting of the transactions denominated as "Alexandria" and "Santorini", please refer to the section entitled "Risks related to structured term repo operations" above.

The errors identified have been considered significant and determinable. Therefore, as required by Accounting Standard IAS 8, such errors, identified in 2012 and occurred in previous years, have been corrected in the annual financial statement as at 31 December 2012, which represents the first financial statements published after the identification of such errors.

For more information, please refer to the consolidated financial statements entitled "Adjustment of prior year balances in accordance with the provisions of IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors)" of the Annual Report as at 31 December 2012.

Competition

In recent years the Italian banking sector has been characterised by ever increasing competition which, together with the level of interest rates, has caused a sharp reduction in the difference between lending and borrowing interest rates and subsequent difficulties in maintaining a positive growth trend in interest rate margin.

In particular, such competition has had two main effects:

- (a) a progressive reduction in the differential between lending and borrowing interest rate, which may result in the Group facing difficulties in maintaining its actual rate of growth in interest rate margins; and
- (b) a progressive reduction in commissions and fees, particularly from dealing on behalf of third parties and orders collection, due to competition on prices.

Both of the above factors may adversely affect the Group's financial condition and result of operations.

In addition, downturns in the Italian economy could add to the competitive pressure through, for example, increased price pressure and lower business volumes for which to compete.

Risks connected with geographical concentration of business

BMPS's business is concentrated in Italy and in the other major countries which are members of the Organisation for Economic Co-operation and Development. Although the Group has a number of investments and subsidiaries with substantial business in other countries, a downturn in demand in the Italian economy could have a material adverse effect on the business of BMPS.

Deteriorating asset valuations from poor market conditions

The global economic slowdown and economic crisis in certain countries of the Eurozone have exerted, and may continue to exert, downward pressure on asset prices, which impacts the credit quality of the Group's customers and counterparties. This may cause the Group to incur losses or to experience reductions in business activity, increases in non-performing loans, decreased asset values, additional write-downs and impairment charges, resulting in significant changes in the fair values of the Group's exposures.

A substantial portion of the Group's loans to corporate and individual borrowers are secured by collateral such as real estate, securities, ships, term deposits and receivables. Continued decline in the general economy of the countries in which the Group operates, or a general deterioration of economic conditions in any industries in which its borrowers operate or in other markets in which the collateral is located, may result in decreases in the value of collateral securing the loans to levels below the outstanding principal balance on such loans. A decline in the value of collateral securing these loans or the inability to obtain additional collateral may require the Group to reclassify the relevant loans, establish additional provisions for loan losses and increase reserve requirements. In addition, a failure to recover the expected value of collateral in the case of foreclosure may expose the Group to losses which could have a material adverse effect on its business, financial condition and results of operations. Moreover, an increase in financial market volatility or adverse changes in the liquidity of its assets could impair the Group's ability to value certain of its assets and exposures or result in significant changes in the fair values of these assets and exposures, which may be materially different from the current or estimated fair value. Any of these factors could require the Group to recognise write-downs or realise impairment charges, any of which may adversely affect its financial condition and results of operations.

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 results of the Group are affected by general economic, financial and other business conditions. As discussed under "*Liquidity risks*", these risks are exacerbated by concerns over the levels of public debt and the weakness of the economies in certain Eurozone countries. There can be no assurance that the initiatives aimed at stabilising the markets will be sufficient to avert "contagion", i.e., the risk that the Greek sovereign debt crisis will spread to other indebted countries. If there were to be a downgrade in the sovereign debt of the countries in which the Group operates, such downgrade, or the perception that such a downgrade may occur, would likely have a material effect in depressing economic activity and restricting the availability, and increasing the cost, of funding for individuals and companies, which might have a material adverse effect on the Group's operating results, financial condition and prospects.

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

Fluctuations in interest rates in Italy influence the Group's financial performance. The results of the Group's banking operations are affected by the Group's management of interest rate sensitivity and, in particular, changes in market interest rates. A mismatch of interest-earning assets and interest-bearing liabilities in any given period, which tends to accompany changes in interest rates, may have a material effect on the Group's financial condition or results of operations.

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 investors should note that the portfolio of the Group contains so-called "over the counter" (OTC) derivatives. The fair value of these OTC derivatives depends upon the both valuation and the perceived credit risk of the instrument insured or guaranteed or against which protection has been bought and the credit quality of the protection provider. Market counterparties have been adversely affected by their exposure to residential mortgage linked products, and their perceived creditworthiness has deteriorated significantly since 2007. Although the Group seeks to limit and manage direct exposure to market counterparties, indirect exposure may exist through other financial arrangements and counterparties. If the financial condition of market counterparties or their perceived creditworthiness deteriorates further, the Group may record further credit valuation adjustments on the underlying instruments insured by such parties. Any primary or indirect exposure to the financial condition or creditworthiness of these counterparties could have a material adverse impact on the results of operations, financial condition and prospects of the Group.

Risk connected to a potential rating downgrade

BMPS is rated Fitch and by Moody's, each of which is established in the European Union and registered under the CRA Regulation as set out in the list of credit rating agencies registered

in accordance with the CRA Regulation published on the website of the European Securities and Markets Authority pursuant to the CRA Regulation. A downgrade of any of BMPS's ratings (for whatever reason) might result in higher funding and refinancing costs for BMPS in the capital markets. In addition, a downgrade of any of BMPS's ratings may limit BMPS's opportunities to extend mortgage loans and may have a particularly adverse effect on BMPS's image as a participant in the capital markets, as well as in the eyes of its clients. These factors may have an adverse effect on BMPS's financial condition and/or the results of its operations.

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.

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.

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

implementation expected to occur in 2019. As anticipated above, in January 2013 the BCBS reviewed its original proposal in respect of the liquidity requirements accepting a number of the concerns raised by the banking industry. First, the phasing-in of the Liquidity Coverage Ratio will now take place in a gradual manner (i.e. annual increase of 10 per cent.), starting with 60 per cent. in 2015 and ending with 100 per cent. in 2019. Second, the BCBS expanded the definition of high quality liquid assets to include lower quality corporate securities, equities and residential mortgage backed securities.

Between the end of 2010, and the beginning of 2011, the Bank of Italy issued a series of measures which amended Bank of Italy Circular No. 263 of 27 December 2006 (*Nuove Disposizioni di Vigilanza Prudenziale delle Banche*) as amended and supplemented (the “**Bank of Italy Regulations**”) in order to adopt the provisions of EU Directive 2009/27/EC, 2009/83/EC and 2009/111/EC (together, “**CRD II**”), which amended EU Directives 2006/48/EC (“**CRD**”) and 2006/49/EC and has changed, *inter alia*, the criteria for assessing capital eligible to be included in Tier I Capital and may require the Issuer to replace, over a staged grandfathering period, existing capital instruments that do not fall within these revised eligibility criteria.

The Basel III framework will be reflected in the EU legislation by means of the recently agreed package consisting of the Capital Requirements Directive (“**CRD IV**”) and the Capital Requirements Regulation (“**CRR**”), the latter being directly applicable in each member state. The adoption of these measures will allow the set-up of a “single rule book” which is a key tool in the EU to allow a level playing field, to combat regulatory arbitrage and foster the convergence of supervisory practices. The CRD IV and the CRR were published in the Official Journal on 27 June 2013 and will enter into force on 1 January 2014.

More specifically, the phasing-in of the Liquidity Coverage Ratio (“**LCR**”) in a gradual manner (albeit more quickly than envisaged by Basel III), starting with 60 per cent. in 2015, 70 per cent. as from 1 January 2016, 80 per cent. as from 1 January 2017 and 100 per cent. as from 1 January 2018 was arguably viewed positively by the banking sector. On the other hand, the gradual phasing-in will not prevent EU member states from maintaining or even introducing national liquidity provisions applicable to domestically authorised institutions. It must also be noted that it is up to the discretion of each national authority to decide whether liquidity requirements must be fulfilled on the level of each legal entity of a cross border group or if it is sufficient to fulfil the requirements on group level only. The latter would have a positive impact on operating costs.

In respect of high quality asset backed securities, the EBA will have to define by the end of 2013 which asset categories such as Prime Collateralized Securities are included. Notably, the European Commission will report by 2015 on the removal of legal and practical obstacles in relation to the fulfilment of the liquidity requirements at group level only.

The EBA agreed, in May 2013, on recommendations to supervisors to conduct asset quality reviews on major EU banks in order to dispel concerns over the deterioration of asset quality. Asset quality reviews can address uncertainties in balance sheet valuations, and an asset quality review should be conducted prior to starting the Single Supervisory Mechanism (SSM) for banks which will be subject to direct supervision of the ECB in the SSM. In this respect, the set of EBA recommendations and the timeframe for the asset quality reviews and the EU-wide stress test will be published once the timeline of the SSM's balance sheet assessment is known.

If the stress tests, also taking into account the results of the asset quality review which could require, upon instructions of the supervisory authority, provisions higher than those envisaged, show that the Bank does not meet the capital requirements set out by the EBA, the supervisory authority could require the adoption of measures aimed at bridging a capital gap indicated by the stress test. If the Bank were not able to generate appropriate funds to such purpose from the systematic grow or from sales of non-strategic assets, the Bank could face a deviation, even material, from the objectives set out in the Restructuring Plan and be forced to submit a new restructuring plan, convert the New Financial Instruments then outstanding, further increase the share capital with consequent dilution of the stake held by the shareholders not opting for the subscription of the relevant part to which they should be entitled, with prospective dilution effects on the existing shareholders.

Many national discretions were introduced in the CRD IV. An example of national discretion is the capital surcharge which Member States can require of their financial systems in order to address macro-prudential risks in their own countries. Until 2015, Member States can require additional buffers of capital of up to 3 per cent. of Core Tier 1 with no EU control. From 2015 onwards for an additional capital buffer of between 3 per cent. and 5 per cent. the Member State has to notify the European Commission, the EBA and the European System Risk Board. In the case of a negative European Commission opinion, the Member State must comply or explain why it is not complying with the European Commission's negative opinion. Buffer rates of above 5 per cent. will need authorisation by the European Commission.

On 6 June 2012, the European Commission published a legislative proposal for a directive providing for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and investment firms (the "**Recovery and Resolution Directive**" or "**RRD**"). The stated aim of the draft RRD is to provide competent authorities with common tools and powers to address banking crises pre-emptively in order to safeguard financial stability and minimize taxpayers' exposure to losses. The draft RRD contemplates that it will be applied by Member States by 1 January 2015 except for the bail-in tool in relation to liabilities other than Additional Tier 1 and Tier 2 instruments which is to be implemented by 1 January 2018 at the latest. The bail-in tool gives resolution authorities the power to write down the claims of unsecured creditors of failing institutions and to convert unsecured debt claims into equity. The European Commission proposal foresees that Member States may exempt covered bonds as defined in Article 22(4) of Council Directive 86/611/EEC from bail-in.

The powers currently set out in the draft RRD would impact how credit institutions and investment firms are managed as well as, in certain circumstances, the rights of creditors. As a matter of fact if resolution requirements are left subject to national discretions and set by the national competent authorities, they could turn out not to be consistent across jurisdictions and therefore hamper the effective management of the Group. However, the proposed directive is not in final form and changes may be made to it in the course of the legislative procedure (see section "*The Group may be subject to the provisions of the Recovery and Resolution Directive*" below). Further, the relevant authorities in the Member States may implement the RRD, and the CRD IV, in a manner that is different from that which is currently envisaged or may impose more onerous requirements on credit institutions and investment firms.

Another regulatory initiative currently under discussion which may hamper a smooth functioning of the Group is the legislative proposal the European Commission envisages

adopting in the second half of 2013 following the recommendations released on 31 October 2012 by the High Level Expert Group (the “**Liikanen Group**”) on the mandatory separation of risky banking activities. Should a mandatory separation be imposed, additional costs at Group level are likely, in terms of higher funding costs, additional capital requirements and operational costs due to the separation and the lack of diversification benefits. An additional layer of complexity, leading to uncertainty, is the major risk of diverging approaches throughout Europe on this issue. Despite the progress at EU level, the United Kingdom, France and Germany are already in the process of introducing local laws on the separation of banking activities.

In addition, a new legislative proposal on the Financial Transaction Tax (the “**FTT**”) was published on 14 February 2013. 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. It is expected that the national provisions implementing the FTT will have to enter into force starting from 1 January 2014 but such date could possibly be postponed, should the adoption of the proposal take more time.

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.

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 2013¹;
- the new IFRS 10, IFRS 11 and IFRS 12 will enter 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

¹ For a description of the effects of the IAS 19 revision and the new standard IFRS 13, please see “Restatement of prior period accounts in accordance with IAS 8 (Accounting policies, changes in accounting estimates and errors)” of the Notes to the Financial Statements set out in the Interim Financial Statement as at 30 June 2013

still expected to be applicable as of 1 January 2015, following the IASB's enactment and the endorsement by the European Union.

Before and until the implementation of the new accounting model for the impairment (according to the new accounting standard IFRS 9), the Bank of Italy, with a communication dated 6 August 2013, requested to the Italian banks to start an analysis on the procedures and information and management systems in order to identify the actions necessary for the application of the impairment model introduced by the IASB (IFRS 9) and to promptly inform the Authority. In addition, the Bank of Italy reserves the right to ask for a simulation to a group of banks, in the period between the last quarter of 2013 and the first months of 2014, in order to estimate the impact of the new accounting model on the budget aggregates and on the capital ratios.

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.

Increased Capital Requirements

Under the CRD IV and Basel III framework, the minimum capital requirement for common equity tier 1 ("CET1") (which does not include hybrid capital) will be phased in gradually from the current level of approximately 2 per cent. of risk-weighted assets to up to 9.5 per cent. in 2019. The 9.5 per cent. requirement will include a "capital conservation buffer requirement" of 2.5 per cent. and a "countercyclical buffer requirement" of 0-2.5 per cent. in addition to a minimum base requirement of 4.5 per cent. The countercyclical buffer requirement will apply in periods of excess lending growth in the economy and can vary for each jurisdiction. For each systemically important bank ("SIB") there will be additional buffer requirements on top of the 9.5 per cent.

The Group may be subject to the provisions of the Recovery and Resolution Directive, once finalised and implemented, in the future

As described under the section "*Changes in the Italian and European regulatory framework and accounting policies*" above, on 6 June 2012, the European Commission published a legislative proposal for a directive providing for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and investment firms (the so-called

Recovery and Resolution Directive, or RRD). The stated aim of the draft RRD is to provide authorities with common tools and powers to address banking crises pre-emptively in order to safeguard financial stability and minimize taxpayers' exposure to losses. The powers provided to authorities in the draft RRD are divided into three categories: (i) preparatory steps and plans to minimise the risks of potential problems (preparation and prevention); (ii) in the event of incipient problems, powers to arrest a bank's deteriorating situation at an early stage so as to avoid insolvency (early intervention); and (iii) if insolvency of an institution presents a concern as regards the general public interest, a clear means to reorganise or wind down the bank in an orderly fashion while preserving its critical functions and limiting to the maximum extent any exposure of taxpayers to losses in insolvency (resolution).

The draft RRD currently contains four resolution tools and powers: (i) sale of business - which enables resolution authorities to the sale of the institution or the whole or part of its business on commercial terms without requiring the consent of the shareholders or complying with the procedural requirements that would otherwise apply; (ii) bridge institution - which enables resolution authorities to transfer of all or part of the business of an institution to a "bridge bank" (a publically controlled entity); (iii) asset separation - which enables resolution authorities to transfer impaired or problem assets to an asset management vehicle to allow them to be managed and worked out over time; and (iv) bail in - which gives resolution authorities the power to write down the claims of senior unsecured creditors (including holders of the notes) and subordinated creditors (including holders of Tier 2 instruments such as the subordinated notes, and non-common Tier 1 securities) of a failing institution and to convert unsecured debt claims to equity (subject to certain parameters as to which liabilities would be eligible for the bail in tool).

Except for the senior debt bail-in tool (which is proposed to be implemented by 1 January 2018), it is currently contemplated that the measures set out in the RRD (including the power of the authorities to write off or convert non-common Tier 1 and Tier 2 capital) will be implemented in Member States with effect from 1 January 2015.

The powers currently set out in the draft RRD would impact how credit institutions and investment firms are managed as well as, in certain circumstances, the rights of creditors. However, the proposed directive is not in final form and changes may be made to it in the course of the legislative procedure. As such, it is too early to anticipate the full impact of the draft directive but there can be no assurance that, once it is agreed upon and implemented, Bondholders will not be adversely affected by actions taken under it. In addition, there can be no assurance that, once the draft RRD is agreed upon and implemented, its application will not have a significant impact on the Group's results of operations, business, assets, cash flows and financial condition, as well as on funding activities carried out by the Group and the products and services offered by the Group.

Operational risks

The Montepaschi Group, like all financial institutions, is exposed to many types of operational risk, including the risk of fraud by employees and outsiders, unauthorised transactions by employees or operational errors, including errors resulting from faulty information technology or telecommunication systems. The Montepaschi Group's systems and processes are designed to ensure that the operational risks associated with its activities are appropriately monitored. Any failure or weakness in these systems, however, could adversely affect its financial performance and business activities.

Losses from structured transactions “*Alexandria*” and “*Santorini*”, in connection with events that were restated, have been factored into the regulatory capital requirement as at 30 June 2013. As at 30 September 2013, an increase by approximately EUR 136 mln and EUR 1,700 mln was registered in Risk Weighted Assets as compared to December 2012, primarily in connection with the afore-mentioned transactions.

Legal risks

The Montepaschi Group is involved in various legal proceedings (see Section 5 headed “*Legal Risks*” under the description of “*Banca Monte dei Paschi di Siena*”). Management believes that such proceedings have been properly analysed by the Issuer and its subsidiaries in order to decide whether any increase in provisions for litigation is necessary or appropriate in all the circumstances and, with respect to some specific issues, whether to refer to them in the notes to its financial statements in accordance with the applicable accounting standards. For further information please refer to the description of “*Banca Monte dei Paschi di Siena S.p.A.*”, Section 11 (*Legal Risks*) below.

Investment Considerations relating to the Guarantor

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

Following service of an Issuer Default 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 an Issuer Default 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 an Issuer Default 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 an Issuer Default 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 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 an Issuer Default 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 an Issuer Default 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. However, failure to satisfy the Amortisation Test on any Test Calculation Date following an Issuer Event of Default will constitute a Guarantor Event of Default, thereby entitling the Representative of the Bondholders to accelerate the Covered Bonds against the Issuer (to the extent not already accelerated against the Issuer) and also against the Guarantor and the Guarantor's obligations under the Guarantee against the Guarantor subject to and in accordance with the Conditions.

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 an Issuer Default 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 an Issuer Default 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 occurrence of an Issuer Event of Default

Following an Issuer Default Notice, the Guarantor shall, if necessary in order to effect timely payments under the Covered Bonds, 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. However, the Eligible Assets and the Top-Up Assets may be sold at their best price which shall be at least equal to the Selected Assets Required Amount (for the definition, see section "*Description of the Programme Documents - The Cover Pool Management Agreement*" below). In any case, after the delivery of an Issuer Default Notice, if, according to the Portfolio Manager's evaluations, the market conditions provide with favourable commercial terms, the Portfolio Manager may sell additional Selected Assets being selected on a random basis to meet the obligations under the further Series providing that, prior to and following the sale of such additional Selected Assets, the Amortisation Test is complied with. Furthermore, if the Selected Assets have not been sold in an amount equal to the Selected Assets Required Amount by the date which is six months prior to, as applicable, the Maturity Date (if the relevant Series or Tranche of Covered Bonds is not subject to an Extended Maturity Date) or the Extended Maturity Date (if the relevant Series or Tranche of Covered Bonds is subject to an Extended Maturity Date) of the Earliest Maturing Covered Bonds, and the Guarantor does not have sufficient other funds standing to the credit of the Programme Accounts available to repay the Earliest Maturing Covered Bonds (after taking into account all payments, provisions and credits to be made in priority thereto), then the Guarantor will offer the Selected Assets (or a portion thereof) for sale for the best price reasonably available notwithstanding that such amount may be less than the Selected Assets Required Amount.

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 an Issuer Event of Default, the service of an Issuer Default 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, the Pre-Maturity 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 an Issuer Default 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 an Issuer Default 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, the Amortisation Test and the Pre-Maturity 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

Italian Law number 108 of 7 March 1996, as amended by law decree number 70 of 13 May 2011, as converted into Law number 106 of 12 July 2011 (the "**Usury Law**") 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 24 September 2013). In addition, even where the applicable Usury Rates are not exceeded, interest and other advantages and/or remuneration may be held to be usurious if: (i) they are disproportionate to the amount lent (taking into account the specific circumstances of the transaction and the average rate usually applied for similar transactions) and (ii) the person who paid or agreed to pay was in financial and economic difficulties. The provision of usurious interest, advantages or remuneration has the same consequences as non-compliance with the Usury Rates. In certain judgements issued during 2000, the Italian Supreme Court (*Corte di Cassazione*) ruled that the Usury Law applied both to loans advanced prior to and after the entry into force of the Usury Law. Although the Italian Government subsequently intervened by enacting a decree aimed at softening the effect of the Usury Law, the amount payable by borrowers pursuant to the Mortgage Loans may be subject to reduction, renegotiation or repayment.

Compound interest

Pursuant to article 1283 of the Civil Code, in respect of a monetary claim or receivable, accrued interest may be capitalised after a period of not less than six months or from the date when any legal proceedings are commenced in respect of that monetary claim or receivable. Article 1283 of the Civil Code allows derogation from this provision in the event that there are recognised customary practices to the contrary. Banks and other financial institutions in the Republic of Italy have traditionally capitalised accrued interest on a three-monthly basis on the grounds that such practice could be characterised as a customary practice. However, a number of recent judgements from Italian courts (including judgements from the Italian Supreme Court (*Corte di Cassazione*) have held that such practices may not be defined as customary practices. Consequently if borrowers were to challenge this practice, it is possible that such interpretation of the Civil Code would be upheld before other courts in the Republic of Italy and that the returns generated from the relevant Mortgage Loans may be prejudiced.

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.

During the course of this year (2010) Member States have implemented or will implement 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.

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 2011 and 31 December 2012 including the relevant auditors' reports;
- (b) the unaudited semiannual consolidated financial statements of the Issuer as at and for the period ended 30 June 2013 including the relevant auditors' review report;
- (c) the unaudited quarterly consolidated financial report of the Issuer as at and for the period ended 30 September 2013 including the relevant auditors' review report;
- (d) the financial statements of the Guarantor as at and for the years ended 31 December 2011 and 31 December 2012;
- (e) the auditors' report for the Guarantor for financial statements as at and for the years ended 31 December 2011 and 31 December 2012.

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 2011 and 31 December 2012, the auditor's report for the Issuer for the financial year ended 31 December 2011 and 31 December 2012, the unaudited semiannual consolidated financial statements of the Issuer as at and for the period ended 30 June 2013 and the unaudited quarterly consolidated financial report of the Issuer as at and for the period ended 30 September 2013, 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 audited consolidated financial statements referred to above, together with the audit reports thereon, are available both in the original Italian and in English. The English language versions represent a direct translation from the Italian language documents.

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 | 2011 | 2012 |
|--|---------------|---------------|
| Balance Sheet | Pages 95-96 | Pages 89-90 |
| Income Statement | Page 97-99 | Page 91-92 |
| Cash flow statement | Pages 102-103 | Pages 98-99 |
| Notes to Financial Statements | Page 104-405 | Pages 101-427 |
| Audit report | Pages 409-410 | Pages 431-433 |

| Unaudited semiannual financial statements of the Issuer | As at 30 June 2013 |
|--|---------------------------|
| Balance Sheet | Pages 79-80 |
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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:

"**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.

"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 the 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.

"Bank of Italy Regulations" means the regulations issued by the Bank of Italy on 17 May 2007 as supplemented on 24 March 2010 with respect to article 7-*bis* of Law 130, as subsequently amended and supplemented.

"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, Siena, 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).

"**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.

"**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.

"**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 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.

"**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.

"**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

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

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.

"**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 an Issuer Default Notice after the occurrence of a Issuer Event 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; 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 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 are rated 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, (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), 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 and "Aa3" and "P-1" by Moody's (or, in the case of investments with a maturity longer than six months "Aaa" and "P-1" by Moody's, and, in the case of investments with a maturity longer than 365 days, "AAA" by Fitch);
- (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 and "A2" and "P-1" by Moody's;
- (iii) any security rated at least (A) "P-1" by Moody's and "A" and "F1" by Fitch, if the relevant maturity is up to 30 calendar days, (B) "P-1" by Moody's and "AA-" or "F1+" by Fitch, if the relevant maturity is up to 365 calendar days (C) "Aaa" by Moody's and "AAA" by Fitch, if the relevant maturity is greater than 365 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 and "Aa3" and "P-1" by Moody's and a maturity of not more than 180 days from their date of issuance; (2) off-shore money market funds rated, at all times, "AAA/V-1" by Fitch and "Aaa/MR1+" by Moody's; 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, 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.

"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 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.

"EONIA" means the weighted average of overnight Euro Interbank Offer Rates for inter-bank loans and for Euro currency deposits.

"EU Insolvency Regulation" means Council Regulation (EC) No. 1346/2000 of 29 May 2000.

"EU Directive on the Reorganisation and Winding up of Credit Institutions" means Directive 2001/2/EC of the European Parliament and of the Council of 4 April 2001 on the reorganisation and winding up of credit institutions.

"EURIBOR" (1) with respect to the Covered Bonds, has the meaning ascribed to it in the relevant Final Terms; and (2) with reference to each Loan Interest Period, means the rate denominated "Euro Interbank Offered Rate" (i) at 3 (three) months (provided that for the First Loan Interest Period, such rate will be calculated on the basis of the linear interpolation of 3-month Euribor and 4-month Euribor), published on Reuters' page "Euribor01" on the menu "Euribor" or (A) in the different page which may substitute the Reuters' page "Euribor01" on the menu "Euribor", or (B) in the event such page or such system is not available, on the page of a different system containing the same information that can substitute Reuters' page "Euribor01" on the menu "Euribor" (or, in the event such page is available from more than one system, in the one selected by the Representative of the Bondholders) (hereinafter, the **"Screen Rate"**) at 11.00 a.m. (Brussels time) of the date of determination of Interest falling immediately before the beginning of such Loan Interest Period; or (ii) in the event that on any date of determination of Interest the Screen Rate is not published, the reference rate will be the arithmetic average (rounded off to three decimals) of the rates communicated to the Guarantor Calculation Agent, following request of such Guarantor Calculation Agent, by the Reference Banks at 11.00 a.m. (Brussels time) on the relevant date of determination of Interest and offered to other financial institutions of similar standing for a reference period similar to such Loan Interest Period; or (ii) in the event the Screen Rate is not available and only two or three Reference Banks communicate the relevant rate quotations to the Guarantor Calculation Agent, the relevant rate shall be determined, as described above, on the basis of the rate quotations provided by the Reference Banks; or (iv) in the event that the Screen Rate is not available and only one or no Reference Banks communicate such quotation to the Guarantor Calculation Agent, the relevant rate shall be the rate applicable to the immediately preceding period under sub-paragraphs (i) or (ii) above, provided that if the definition of Euribor is agreed differently in the context of the Asset Swap Agreement entered into by and between the Guarantor and an Asset Swap Provider in the context of the Programme, such definition will replace this definition.

"Euro", **"€"** and **"EUR"** refer to the single currency of member states of the EEA which adopt the single currency introduced in accordance with the Treaty.

"Euro Equivalent" means, in case of an issuance of Covered Bonds denominated in currency other than the Euro, an equivalent amount expressed in Euro calculated at the prevailing exchange rate.

"Euroclear" means Euroclear Bank S.A./N.V., with offices at 1 boulevard du Roi Albert II, B-1210 Brussels.

"European Economic Area" means the region comprised of member states of the EEA which adopt the Euro currency in accordance with the Treaty.

"Excess Assets" means, collectively, any Eligible Asset and Top-Up Asset forming part of the Cover Pool which are in excess for the purpose of satisfying the Tests.

"Execution Date" means (i) with respect to the assignment of the Initial Portfolio, the date falling on the date on which the Principal Seller receives from the Guarantor the letter of acceptance of the Master Assets Purchase Agreement, Master Servicing Agreement, Warranty and Indemnity Agreement and Subordinated Loan Agreement, and (ii) with respect to the assignment of each New Portfolio, the date on which each of the Principal Seller or Additional Seller (if any) receives from the Guarantor the letter of acceptance of the relevant Transfer Proposal.

"Expenses" means any documented fees, costs, expenses and taxes required to be paid to any third party creditors (other than the Bondholders and the Other Guarantor Creditors) arising in connection with the Programme, and required to be paid in order to preserve the existence of the Guarantor or to maintain it in good standing, or to comply with applicable laws and legislation.

"Expenses Account" means the account denominated in Euro and opened on behalf of the Guarantor with the Italian Account Bank, IBAN IT 81 J 01030 12000 000000736131, or any other substitutive account that may be opened pursuant to the Cash Allocation, Management and Payments Agreement.

"Extended Programme Maturity Date" means the date falling one year after the Programme Maturity Date.

"Extended Maturity Date" means the date when final redemption payments in relation to a specific Series or Tranche of Covered Bonds (different from any Hard Bullet Covered Bonds) become due and payable pursuant to the extension of the relevant Maturity Date.

"Extension Determination Date" means, with respect to each Series or Tranche of Covered Bonds, the date falling 4 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*).

"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.

"Guaranteed Amounts" means the amounts due from time to time by the Issuer to Bondholders with respect to each Series or Tranche of Covered Bonds.

"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 and the Pre-Maturity Account.

"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, provided that the first Guarantor Payment Date falls the 27th of September 2010; 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.

"Hard Bullet Covered Bond" means a Covered Bond which will be redeemed in full on the relevant Maturity Date without any provision for scheduled redemption other than on the Maturity Date and in relation to which no Extended Maturity Date provisions shall apply.

"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 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 or 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.

"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.

"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.

"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 an Issuer Default 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,
- (viii) **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;
- (ix) subject to item (ix) below, any amounts received under the Covered Bond Swap Agreements other than any Swap Collateral Excluded Amounts;
- (x) 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;

- (xi) 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;
- (xii) any amounts paid as Interest Shortfall Amount out of item (*First*) of the Pre-Issuer Default Principal Priority of Payments; and
- (xiii) 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 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.

"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 the Issuer and the Guarantor upon occurrence of an Issuer Event 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, MPS Capital Services Banca per l'Impresa S.p.A. and The Royal Bank of Scotland plc.

"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.

"Master Definitions Agreement" means the master definitions agreement entered into on or about 18 June 2010 between the parties of the Programme Documents.

"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.

"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.

"Meetings" has the meaning ascribed to such term in the Rules of the Organisation of the Bondholders.

"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.

"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.

"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-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 an Issuer Default 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 Test Performance Report" means, on each Test Calculation Date and Quarterly Test Calculation Date prior to the service of an Issuer Default 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-Maturity Account" means the account opened, if required, to hold amounts aimed at providing compliance with the Pre-Maturity Test.

"Pre-Maturity Collateral Amount" means, at any given date, an amount equal to the Final Redemption Amount in respect of a Series or Tranche of Hard Bullet Covered Bonds plus any amount payable by the Guarantor in priority thereto in accordance with the Guarantee Priority of Payments.

"Pre-Maturity Test" has the meaning as indicated in article 8 of the Cover Pool Management Agreement.

"Pre-Maturity Test Date" means each Business Day prior to the occurrence of an Issuer Event of Default or, if earlier, the occurrence of a Guarantor Event of Default on which the Guarantor Calculation Agent will determine if the Pre-Maturity Test has been breached in respect of any Series or Tranche of Hard Bullet Covered Bonds.

"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 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 Terms and Conditions and 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.

"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 Maturity Date" means the date following 10 years after the date of the Prospectus.

"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.

"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; and (c) in the case of the first Collection Period, the period commencing on (but excluding) the Valuation Date and ending on (but excluding) the Collection Date falling in September 2010.

"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 and Moody's.

"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 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.

"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 the Euro Equivalent of the Principal Amount Outstanding in respect of the Earliest Maturing Covered Bonds, multiplied by $(1 + \text{Negative Carry Factor} \times (\text{days to maturity of the relevant Series or Tranche of Covered Bonds}/365))$.

"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

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 three 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 three 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 and for which the hardening period with respect to the perfection of the relevant mortgage has elapsed.

"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.

"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.

"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 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.

"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 be appointed in the event of a Servicer Termination Event pursuant to clause 11.6 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 falling on the 12th Business Day of each month and, following the occurrence of a Breach of Test the date falling on the 20th calendar day of each month.

"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 immediately following Test Performance Report Date.

"Tests" means, as appropriate, the Mandatory Tests, the Asset Coverage Test, the Amortisation Test and the Pre-Maturity Test.

"Top-Up Assets" means, in accordance with article 2, sub-paragraph 3.2 and 3.3 of Decree No. 310, each of the following assets:

- (i) deposits held with banks which have their registered office in the European Economic Area or Switzerland or in a country for which a 0% risk weight is applicable in accordance with the Bank of Italy's Prudential Regulations for banks - standardised approach; and
- (ii) securities issued by the banks indicated in item (i) above, which have a residual maturity not exceeding one year.

"Total Commitment" means, in respect of each Subordinated Lender, the commitment specified in the relevant Subordinated Loan Agreement.

"Tranche" or **"Tranches of Covered Bonds"** means each tranche of Covered Bonds which may be comprised in a Series of Covered Bonds.

"Transfer Proposal" means, in respect to each New Portfolio, the transfer proposal which will be sent by the relevant Seller and addressed to the Guarantor substantially in the form set out in schedule 7 to the Master Assets Purchase Agreement.

"Treaty" means the treaty establishing the European Community.

"Usury Law" means Italian Law number 108 of 7 March 1996, together with Decree number 349 of 29 December 2000 as converted into Law number 24 of 28 February 2001.

"Valuation Date" means, with respect to the Initial Portfolio, the 21 of May 2010 and with respect to any New Portfolios, the date that will be established jointly by the Principal Seller or any Additional Seller and the Guarantor.

"Warranty and Indemnity Agreement" means the warranty and indemnity agreement entered on 25 May 2010 between the Principal Seller and the Guarantor.

"Zero Coupon Provisions" has the meaning set out in Condition 7 (*Zero Coupon Provisions*).

(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 can be applied (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 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 an Extended Maturity Date is specified as applicable in the relevant Final Terms for a Series or Tranche of Covered Bonds (other than Hard Bullet Covered Bonds) and 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 date falling on the Extension Determination Date, then (subject as provided below), 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 due and remaining unpaid after the Extension Determination Date may be paid by the Guarantor on any Interest Payment Date thereafter up to (and including) the relevant Extended Maturity Date 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 as soon as reasonably practicable and in any event at least one Business Day prior to the Maturity Date as specified in the preceding paragraph 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 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 Interest Payment Date up to and on 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),

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:

- (A) 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
- (B) 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) *Pre-Maturity Liquidity*: if in respect of a Series or Tranche of Hard Bullet Covered Bonds as specified in the relevant Final Terms, on each Pre-Maturity Test Date, the Calculation Agent will determine that the Pre-Maturity Test has

been breached, and if so, it shall immediately notify the Issuer and the Representative of Covered Bondholders.

The Issuer will fail and be in breach of the Pre-Maturity Test on a Pre-Maturity Test Date in relation to a Series or Tranche of Hard Bullet Covered Bonds if on each Pre-Maturity Test Date, the Issuer's short-term credit rating falls below "P-1" (or lower) from Moody's or below "F1" (or lower) from Fitch (or such higher rating as is notified by the Issuer to, respectively, Moody's or Fitch and the Representative of the Bondholders from time to time) and the Final Maturity Date of the Series or Tranche of Hard Bullet Covered Bonds will fall within 12 months (or such longer period as is notified by the Issuer to Moody's and the Representative of the Bondholders from time to time) following the relevant Pre-Maturity Test Date.

If the Pre-Maturity Test is breached in respect of a Series or Tranche of Hard Bullet Covered Bonds 12 months prior to the Maturity Date of that Series or Tranche, the Pre-Issuer Default Test Calculation Agent will send a notice to the Issuer and the Guarantor. Following the delivery of such notice, the Issuer will be required to ensure within the earlier to occur of (i) 14 calendar days from the date that the Issuer is notified of the breach of the Pre-Maturity Test and (ii) the Maturity Date of the relevant Series or Tranche of Hard Bullet Covered Bonds that: (A) the Pre-Maturity Collateral Amount is accumulated in the Pre-Maturity Account, or, alternatively, (B) a guarantee is provided in respect of the payment of the Final Redemption Amount on the relevant Maturity Date for that Series or Tranche of Hard Bullet Covered Bonds by a guarantor whose senior, unsecured ratings are at least equal to "P-1" by Moody's and "F1+" by Fitch.

If any of the actions under (A) and (B) above is not taken, in order to ensure compliance with or cure a breach of the Pre-Maturity Test under above, the Guarantor shall, within the same period set out under item (i) and (ii) of the paragraph above, among others:

- (i) offer to sell Selected Assets in accordance with the Cover Pool Management Agreement, subject to any right of pre-emption in favour of the Issuer or any Additional Seller (as the case may be) in respect of any such Selected Assets pursuant to the Master Assets Purchase Agreement; or
- (ii) purchase Eligible Assets or Top-Up Assets from the Principal Seller or any Additional Seller. Such purchase will be financed through advances granted by the Principal Seller or any Additional Seller as the case may be under the Subordinated Loan and/or prior to the delivery of a Breach of Test notice, the Guarantor Available Funds available for such purpose in accordance with the Pre-Issuer Default Principal Priority of Payments.

The method for selling Selected Assets and their Related Security is described in the Cover Pool Management Agreement. The proceeds of sale of Selected Assets and/or the proceeds of any contribution in cash by the Issuer, will be credited into the Pre-Maturity Account.

Failure by the Issuer to pay the full amount due in respect of a Series or Tranche of Hard Bullet Covered Bonds on the Final Maturity Date thereof will constitute an Issuer Event of Default. Following service of an Issuer Default Notice, the Guarantor shall apply funds standing to the Pre-Maturity Account to repay the relevant Series or Tranche of Hard Bullet Covered Bonds in accordance with the Guarantee Priority of Payments.

If the Issuer fully repays the relevant Series or Tranche of Hard Bullet Covered Bonds on the relevant Final Maturity Date, cash standing to the credit of the Pre-Maturity Account shall be applied by the Guarantor in accordance with the Pre-Issuer Default Priority of Payments, unless:

- (i) the Issuer is failing the Pre-Maturity Test in respect of any other Series or Tranche of Hard Bullet Covered Bonds, in which case the cash will remain on the Pre-Maturity Account in order to provide liquidity for that other Series or Tranche of Hard Bullet Covered Bonds; or
 - (ii) the Issuer is not failing the Pre-Maturity Test, but the Issuer resolves to retain the cash on the Pre-Maturity Account in order to provide liquidity for any future Series or Tranche of Hard Bullet Covered Bonds.
- (k) *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.
- (l) *Cancellation*: All Covered Bonds so redeemed or repurchased shall be cancelled (or may be cancelled in case of Covered Bonds repurchase by the Issuer) and thereafter may not be reissued or resold.

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*

A Segregation Event will occur upon the notification by the Pre-Issuer Default Test Calculation Agent that:

- (a) a breach of one of the Mandatory Tests on the relevant Quarterly Test Calculation Date and/or
- (b) prior to the delivery of an Issuer Default 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 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:

- (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 only using the proceeds of a Term Loan, except where the breach referred to in the Breach of Tests Notice may be cured by using the Guarantor Available Funds; and
- (d) payments due under the Covered Bonds will continue to be made by the Issuer until an Issuer Default 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 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**").

11.2 *Issuer Events of Default*

If any of the following events (each, an "**Issuer Event of Default**") occurs and is continuing:

- (a) *Non-payment*: 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 days, in case of amounts of interest, or 7 days, in case of amounts of principal, as the case may be; or
- (b) *Breach of other obligation*: a material breach by the Issuer of any obligation under the Programme Documents occurs and such breach is not remedied within 30 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*: the Issuer ceases to carry on its primary business in accordance with its corporate object (*oggetto sociale*) 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 Test Remedy Period unless a resolution of the Bondholders is passed resolving to extend the Test Remedy Period; or
- (g) *Breach of the Pre-Maturity Test*: the Pre-Maturity Test in respect of any Series or Tranche of Hard Bullet Covered Bonds is breached on the relevant Pre-Maturity Test Date falling less than twelve months prior to the Maturity Date of that Series or Tranche of Hard Bullet Covered Bonds, and the breach has not been cured before the earlier to occur of (i) 14 calendar days from the date that the Issuer is notified of the breach of the Pre-Maturity Test and (ii) the Maturity Date of the relevant Series or Tranche of Hard Bullet Covered Bonds, unless a resolution of the Bondholders is passed resolving otherwise.

If any of the events set out in points from (i) to (vii) above (each, an "**Issuer Event of Default**") occurs and is continuing, then the Representative of the Bondholders shall serve an Issuer Default Notice on the Issuer and the Guarantor demanding payment under the Guarantee, and specifying, in case of the Issuer Event of Default referred to under item (iv) above, that the Issuer Event of Default may be temporary.

Upon the service of an Issuer Default Notice:

- (a) *Application of the Segregation Event provisions*: the provisions governing the Segregation Event from item (a) to (c) shall apply,
- (b) *Guarantee*: 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 relevant 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;

- (c) *Disposal of Assets*: the Guarantor shall 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 (c) (*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).

11.3 *Guarantor Events of Default*

If, following the occurrence of an Issuer Event of Default and delivery of the relevant Issuer Default Notice, any of the following events (each, a "**Guarantor Event of Default**") occurs and is continuing:

- (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 (i) (Non-payment) above) which is not remedied within 30 days after the Representative of the Bondholders has given written notice thereof to the Guarantor; or
- (d) *Breach of the Amortisation Tests*: the Amortisation Tests is breached on any Test Calculation Date.

If any of the events set out in points from (i) to (iv) above (each, a "**Guarantor Event of Default**") occurs and is continuing then the Representative of the Bondholders shall serve 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:

- (a) *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;
- (b) 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;
- (c) *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
- (d) *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 *Determinations, etc*: all notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 11 by the Representative of the Bondholders shall (in the absence of wilful default (*dolo*), gross negligence (*colpa grave*) or manifest error) be binding on the Issuer, the Guarantor and all Bondholders and (in such absence as aforesaid) no liability to the Bondholders, the Issuer or the Guarantor shall attach to the Representative of the Bondholders in connection with the exercise or non-exercise by it of its powers, duties and discretions hereunder.

12. LIMITED RECOURSE AND NON PETITION

12.1 *Limited recourse*

The obligations of the Guarantor under the Guarantee constitute direct and unconditional, unsubordinated and limited recourse obligations of the Guarantor, collateralised by the Cover Pool as provided under Law 130, Decree No. 310 and the Bank of Italy Regulations. The recourse of the Bondholders to the Guarantor under the Guarantee will be limited to the assets of the Cover Pool subject to, and in accordance with, the relevant Priority of Payments pursuant to which specified payments will be made to other parties prior to payments to the Bondholders.

12.2 *Non petition*

Only the Representative of the Bondholders may pursue the remedies available under the general law or under the Programme Documents to obtain payment of the

Guaranteed Obligations or enforce the Guarantee and/or the Security and no Bondholder shall be entitled to proceed directly against the Guarantor to obtain payment of the Guaranteed Obligations or to enforce the Guarantee and/or the Security. In particular:

- 12.2.1 no Bondholder (nor any person on its behalf, except the Representative of the Bondholders) is entitled, otherwise than as permitted by the Programme Documents, to direct the Representative of the Bondholders to enforce the Guarantee and/or Security or take any proceedings against the Guarantor to enforce the Guarantee and/or the Security;
- 12.2.2 no Bondholder (nor any person on its behalf, except the Representative of the Bondholders) shall have the right to take or join any person in taking any steps against the Guarantor for the purpose of obtaining payment of any amount due from the Guarantor;
- 12.2.3 until the date falling 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 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 an Issuer Default 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
 - (ii) 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 [•] 2013 [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][*Insert reference rate*] +/- [*Margin*] per cent. Floating Rate]
- [Zero Coupon]
- (further particulars specified below)*
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)]
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/other [•]] 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)/Other]
- (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 redemption for taxation reasons or on acceleration following a Guarantor Event of Default or other early redemption: *[Not Applicable (If both the Early Termination Amount (Tax) and the Early Termination Amount are the principal 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.

As set out above, 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. If in respect of any particular issue there is a particular identified use of proceeds, it will be stated in the applicable Final Terms.

BANCA MONTE DEI PASCHI DI SIENA S.P.A.

Issuer, Principal Seller, Principal Servicer, Italian Account Bank, Pre-Issuer Default Test Calculation Agent and Principal Subordinated Lender

1. General

Banca Monte dei Paschi di Siena S.p.A. (“**BMPS**” or the “**Bank**”) was incorporated on 14 August 1995 as a joint stock company (*Società per Azioni*) under Italian legislation. On 23 August 1995 BMPS was registered with the Bank of Italy’s Register (No. 5274) and with the Companies Register (No. 00884060526). BMPS has its registered office in Piazza Salimbeni 3, 53100, Siena, Italy (telephone number: +39 0577 294 111). BMPS’s duration is currently limited to 31 December 2100 though this may be extended by shareholders’ resolution.

BMPS’s corporate purpose, as set out under Article 3 of its By-laws, is as follows: “The purpose of BMPS is to collect and maintain savings and issue loans and credit, in various forms in Italy and abroad, including any related activity permitted to lending institutions by current regulations. BMPS can carry out, in accordance with the laws and regulations in force, all permitted banking and financial activities and any other transaction which is instrumental, or in any case linked, to the achievement of the company’s purpose.”.

BMPS is the parent company of a leading Italian banking group operating throughout Italy and in major international financial centres. The Monte dei Paschi Group (the “**BMPS Group**” or the “**Group**”) offers a wide range of financial services and products to private individuals and corporations. The products and services include ordinary and specialised deposit-taking and lending, including leasing and factoring; payment services (home banking, cash management, credit or debit cards and treasury services for public entities); asset management (through joint venture), brokerage services and corporate finance (project finance, merchant banking, financial consulting).

Pursuant to Article 2497 and subsequent of the Italian Civil Code, the role of the parent company is carried out by BMPS which directs and coordinates the activities of its direct and indirect subsidiaries, including companies that, under current regulations, do not belong to the BMPS Group. Founded in 1472 as a public pawn broking establishment (Monte di Pietà), BMPS has been a member of FTSE MIB40 since September 1999 with a share capital of EUR 7.5 billion as at 30 June 2013.

2. History

BMPS, which is believed to be the oldest bank in the world, has been in continuous operation since 1472, when the General Council of the Republic of Siena approved its original charter. The Bank, then known as “Monte di Pietà”, was originally established by the Republic of Siena for the purpose of providing a controlled source of lending for the local community and to fight usury. In 1624, the Bank changed its name to “Monte dei Paschi di Siena” after the paschi, the grazing fields owned by the Grand Duchy of Tuscany, which generated income that was pledged to support the Bank’s capital. Following the unification of Italy, the Bank extended its activities beyond the immediate outskirts of Siena. However, significant expansion of the

Bank's activities occurred only after World War I, both geographically (with the opening of approximately 100 additional branches) and in terms of activities undertaken (with the commencement of various tax collection activities on behalf of national and regional governments). In 1936, the Bank was declared a public credit institution (*Istituto di Credito di Diritto Pubblico*) organised under a new charter, which, although modified during this period, remained in force until 1995.

In 1995 the Bank was reorganised in accordance with the Amato Law and was incorporated as a Società per azioni or joint stock company owned by Monte dei Paschi di Siena — Istituto di Diritto Pubblico (the "**Foundation**").

3. Major Events

From 1998 to 2008 the Group strengthened its presence in Italy through the purchase of other regional banks, among others Banca Agricola Mantovana S.p.A., merged by incorporation in to BMPS in 2008, and Banca 121 S.p.A ("**B 121**"); the latter was merged by incorporation into BMPS in December 2002, except for B 121's financial promotion business which was transferred to a newly incorporated bank called Banca 121 Promozione Finanziaria whose corporate name was changed to MPS Banca Personale S.p.A as of 3 January 2005.

In June 2007, Intesa Sanpaolo ("**ISP**") and BMPS signed a sale-and-purchase agreement relating to the 55 per cent. stake currently owned by ISP in Cassa di Risparmio di Biella e Vercelli ("**Biverbanca**") which has a network of 105 branches concentrated in the Biella and Vercelli provinces.

On 8 November 2007 the BMPS Group and Banco Santander ("**Santander**") reached an agreement for the sale of Banca Antonveneta S.p.A. ("**Antonveneta**") to the BMPS Group.

On 22 December 2008 the deed of merger by incorporation of Antonveneta into BMPS was executed, with the simultaneous transfer of the business unit, in the value of €3,200 million and consisting of more than 400 branches, to the new Banca Antonveneta, a bank servicing north-eastern Italy which became operational effective 1 January 2009.

On 14 December 2009, the Italian Minister of Economy and Finance, Giulio Tremonti, approved the subscription by the Ministry of financial instruments convertible into ordinary shares to be issued by BMPS, for an amount of €1.9 billion, pursuant to art. 12 of Legislative Decree no. 185 of 29 November 2008, converted into law no. 2 of 28 January 2009. A Memorandum of Understanding setting out the terms for subscription has also been signed pursuant to art. 2, par. 2, of Ministerial Decree of 25 February 2009. See also Section 4 (Recent Developments), below.

On June 2011 Monte Paschi Banque SA sold its 100% shareholding in Monte Paschi Monaco SAM. The Monegasque bank, therefore, is no longer part of the BMPS Group.

On 28 December 2012 the Bank finalised the disposal of its 60.42% shareholding in Biverbanca to Cassa di Risparmio di Asti.

Shareholders' equity

On 7 and 16 June 2011 the Board of Directors of BMPS approved a pre-emptive rights issue, by virtue of the authority granted to the Board of Directors by the Extraordinary Shareholders' Meeting of 6 June 2011. All 4,824,826,434 newly issued ordinary shares, accounting for approx. 41.79% of the new share capital, were subscribed to for an overall equivalent amount of EUR 2,151,872,589.56 without the financial institutions forming part of the guarantee consortium (which was constituted in order to subscribe the shares, if any, not subscribed at the end of the relevant offer period) having to step in. In the second half of 2011, as a consequence of the exercise conducted by the European Banking Authority ("EBA"), in order to reduce the capital buffer required by the EBA, the Group has identified, among others, the following key initiatives:

- conversion to equity of BMPS shares underlying the convertible notes "FRESH 2003";
- allocation to share capital of part of the "Share Premium Reserve" for a sum equal to the premium on 295,236,070 ordinary BMPS shares underlying the F.R.E.S.H notes issued by The Bank of New York for an amount of EUR 752,261,506.36 in April 2008 (the "2008 FRESH Notes");
- at par conversion of 18,864,340 savings shares into ordinary shares for an amount of EUR 12,639,107.80;
- reduction in Risk Weighted Assets.

The Extraordinary Shareholders' Meeting of 1 February 2012 approved the allocation to share capital of part of the "Share Premium Reserve" for a sum equal to the premium on 295,236,070 ordinary BMPS shares underlying the 2008 FRESH Notes . In the same meeting, approval was also given to the conversion of 18,864,340 savings shares into ordinary shares for a total of EUR 12,639,107.80.

On 27 June 2012, with a view to improving and strengthening the quality of its core capital through the creation of Core Tier 1 Capital and managing its liabilities more efficiently, BMPS announced an invitation to the holders of nine series of subordinated securities (Tier 1, Upper Tier 2 and Lower Tier 2) to submit offers to exchange their securities for new Euro-denominated fixed-rate senior notes due 2015, to be issued under BMPS Debt Issuance Programme for an amount of EUR 50,000,000,000.

Upon expiry of the invitation on 5 July 2012, EUR 1,007,495,510 worth of securities, in par value or liquidation preference, were validly offered for exchange and accepted by BMPS, corresponding to 30.74% of the overall par value/liquidation preference amount of EUR 3,277,809,765 in outstanding securities. On 10 July 2012, date of settlement for outstanding securities accepted for exchange by BMPS, a nominal value total of EUR 790,497,000 in new notes had been issued by BMPS and delivered to holders of existing securities. Following transaction finalisation, the Group posted a gross capital gain of approximately EUR 227 million.

Board of Directors' authority to increase capital and amendments to the Articles of Association

On 9 October 2012, the Extraordinary Shareholders' Meeting of BMPS resolved to grant authority to the Board of Directors to increase capital, in one or more tranches, pursuant to Articles 2443 and 2441, paragraph 5, of the Italian Civil Code, including through the issuance of convertible bonds in accordance with Article 2420-ter of the Italian Civil Code, for up to a maximum amount of EUR 1,000,000,000, in exclusion of the pre-emptive rights of existing shareholders.

The Shareholders' meeting also resolved to amend Articles 12, 13, 14, 16, 17 and 27 of the Articles of Association.

4. Recent developments

On 28 February 2013 the Bank announced that the issue of the new financial instruments, provided for by articles 23-sexies and followings of Law Decree no. 95 of 6 July 2012, as subsequently converted and amended (the "New Financial Instruments"), has been completed. The Ministry of the Economy and Finance subscribed to the New Financial Instruments issued by the Bank for an aggregate amount equal to EUR 4,071,000,000, of which EUR 1,900,000,000 replaced the so-called Tremonti Bonds previously issued by the Bank in 2009, and EUR 171,000,000, having an 'entitlement date' of 1 July 2013, as early payment of the interest accrued on the so-called Tremonti Bonds for the financial year 2012, considering the negative results of the Bank as at 31 December 2012. In relation to the above, please note that the issuance of the New Financial Instruments made by the Bank and their consequent subscription by the Ministry of the Economy and Finance and their partial replacement with the so-called Tremonti Bonds is subject to the approval of the Restructuring Plan by the competent authorities within the context of the approval procedure of "State Aid". For more information on the Restructuring Plan and its approval procedure, please see Section 5 (*Strategy*) below.

During the preparation of the Annual Report as at 31 December 2012, the Board of Directors, after detailed analysis carried out with the support of the Bank's counsel, has established the existence of certain errors in the accounting treatment of three structured transactions "*Alexandria*", "*Santorini*" and "*Nota Italia*"², as well as errors revealed by audits on accounting mismatches between operating and administrative-accounting results relating to the administrative management of personnel entered into in previous years.

The errors have been corrected in the Bank's consolidated and non-consolidated draft financial statements as of and for the year ended 31 December 2012, as required by the IAS 8 accounting principles.

² For more information on the structured transactions "*Alexandria*", "*Santorini*" and "*Nota Italia*", please refer to section "Addition Information pursuant to Article 114, Paragraph 5, of the Financial Laws Consolidation Act on page 453 of the Bank's Annual Report as at 31 December 2012, available on the website of the Bank: www.mps.it.

The restatement of prior period accounts in compliance with IAS 8, with retrospective correction of accounting errors in the financial statements, has determined a reduction of the net equity of about EUR 800,880 thousand as at 31 December 2011 divided as follows: valuation reserve EUR 11,709 thousand, reserve - EUR 803,524 thousand, operating loss - EUR 9,065 thousand.

For full information on the above please refer to the “*Notes to the consolidated financial statements - Restatement of prior period accounts – IAS 8*” in the Bank’s Annual Report as at 31 December 2012 and to the press releases published on the website www.mps.it.

On 1 March 2013 the Bank announced, by Board of Directors' resolution, that it has brought the following legal actions before the Civil Court of Florence:

- (i) a corporate liability action against former Chairman Giuseppe Mussari and former General Manager Antonio Vigni and an extra-contractual liability action against Nomura International Plc for its concurrence with the aforementioned Bank representatives in relation to the financial restructuring transaction of the Alexandria notes carried out in July-October 2009; the lawsuit seeks the joint and several judgment against the defendants for damages sustained and to be sustained by the Bank as a result of the challenged transaction;
- (ii) a corporate liability action against former General Manager Antonio Vigni and an extra-contractual liability action against Deutsche Bank AG for its concurrence with the aforementioned Bank representative in relation to the Total Return Swap transactions carried out through the special purpose vehicle, Santorini Investment Ltd, in December 2008; the lawsuit seeks the joint and several judgment against the defendants for damages sustained and to be sustained by the Bank as a result of the challenged transactions.

On 23 April 2013, (i) the deed of merger by absorption of Banca Antonveneta Spa into BMPS was signed with effect as of 28 April 2013 for civil code purposes and as of 1 January 2013 for accounting and tax purposes, and (ii) the Board of Directors has resolved to include the resolutions concerning the aforementioned liability actions against said former company representatives in the agenda of the Shareholders' Meeting which approved the consolidated annual results as at 31 December 2012.

On 29 April 2013, the Shareholders' Meeting of the Bank approved the Annual Report as at 31 December 2012; the election of Mr. Pietro Giovanni Corsa as Deputy Chairman of the Board of Directors; the new Shareholders' Meeting regulations; the Remuneration Report (prepared pursuant to art. 123-ter of the Consolidated Law on Finance and published under 'Investors & Research' on the corporate website at www.mps.it).

Shareholders further resolved to take liability action, as proposed by the Board of Directors and brought before the Court of Florence, against former Chairman of the Board of Directors, Giuseppe Mussari, and former General Manager, Antonio Vigni, for all damages sustained and to be sustained by the Bank in relation to the transaction entered into with Nomura Int. Plc and against former General Manager, Antonio

Vigni, for all damages sustained and to be sustained by the Bank in relation to the transaction entered into with Deutsche Bank AG.

On 6 May 2013, the deed of merger by absorption of MPS Gestione Crediti Banca Spa into the Bank was signed with effect as of 12 May 2013 for civil code purposes and as of 1 January 2013 for accounting and tax effect purposes.

On 14 May 2013, the Board of Directors of the Bank reviewed and approved the results for the third quarter of 2013.

On 22 May 2013, an injunction was served on director Michele Briamonte by the Preliminary Investigations Judge of the Court of Siena, banning him from the exercise of his functions as member of the Board of Directors of the Bank. According to the official communication received by the Bank, the two-month ban "has been adopted on account of the offence under art. 184 para. 1 letter B) of the Financial Laws Consolidation Act ("Abuse of privileged Information"), committed on 28 February 2013.

On 4 June 2013, the Bank has the results of the inspection carried out by Bank of Italy in accordance with Articles 54 and 68 of the Italian Legislative Decree 385/1993. Such inspection, carried out in all main Italian banking groups, was aimed at assessing the adequacy of value adjustments on non-performing loans, the relevant policies and operating practices. The Bank almost completely included the main needs of provision identified during the inspection (about Euro 780 million) in its financial statements as of and for the year ended on 31 December 2012. The effects of previous organisation and governance decisions caused an evaluation "mainly negative" ("*in prevalenza sfavorevole*"). The Bank is putting in place systematic actions to cope with all the issues identified during the inspection carried out by the Bank of Italy.

On 5 July 2013, the Bank confirmed that the shareholders' agreement concerning Banca Popolare di Spoleto to the cooperative company, Spoleto-Credito e Servizi Società Cooperativa has been terminated as of 30 June 2013.

On 18 July 2013, the Extraordinary and Ordinary Shareholders' Meeting of BMPS approved the following amendments to the Articles of Association:

- removal of the share ownership limit of 4%;
- introduction of a maximum limit of two consecutive terms after the first mandate for members of the Board of Directors, with the exception of the outgoing Managing Director(s);
- adoption of new regulations on "gender quotas";
- introduction of upper age limits for Members of the Board of Directors, Chairman and Managing Director(s);
- termination of Mr. Michele Briamonte from his office as member of the Board of directors approved;

- Mr. Franco Michelotti elected alternate auditor³.

On 30 July 2013, the public prosecutors of the Court of Siena announced the main offences charged against the previous management in relation to the criminal proceedings connected with the acquisition of Banca Antonveneta. In particular, the offences relate to the crimes of market manipulation, obstruction of regulators, misstatement in prospectus, false disclosure and abuse of privileged information. On 2 October 2013, the public prosecutors of the Court of Siena filed a request to go to a preliminary trial against some members of the previous management for the charges notified on 30 July 2013.

In the same investigation, in their capacity as legal persons investigated pursuant to law no. 231 of 8 June 2011, the Bank and J.P. Morgan Securities Ltd. were notified by the public prosecutors of the Court of Siena of the conclusion of the preliminary investigations. The public prosecutors have decided not to request for the Bank to go to a preliminary trial on this matter.

As part of the criminal proceeding concerning the alleged offence of obstruction of supervisory activities in relation to transaction “Alexandria”, the trial phase is underway and the request by the Bank and Consumer Associations to bring a civil action in such trial has been rejected.

Actions undertaken by the Issuer are carrying on in respect of a part of the previous management and third-parties involved in the same investigations – to whom the public prosecutor at the Court of Siena has served the same preliminary investigation closure notice notified to the bank – and which are preparatory to the compensation of damages that are still to be quantified.

On 7 August 2013, the Board of Directors of the Bank reviewed and approved the results for the first half of 2013.

On 24 September 2013 the Board of Directors of the Bank co-opted, as non-independent director, Beatrice Bernard who took over from Frédéric Marie de Courtois D’Arcollières.

On 2 October 2013, the public prosecutors of the Court of Siena called, among others, for former Chairman of the Board of Directors, Giuseppe Mussari, and former General Manager, Antonio Vigni to be put on trial in relation to the criminal proceedings connected with the acquisition of Banca Antonveneta.

On 7 October 2013, the Issuer has confirmed that the Board of Directors of the Bank approved the Restructuring Plan. For more information please see Section 5 (Strategy) below.

On 23 October 2013, the European Central Bank announced that, in collaboration with the national competent authorities of the Member States that participate in the single supervisory mechanism, will carry out a comprehensive assessment of the

³ On 28 May 2013 Mr. Gianni Tarozzi resigned from his duties as alternate auditor. Mr. Franco Michelotti has been elected for the remaining term of the mandate previously held by Mr. Tarozzi.

banking system which will involve the major European banks among which the Issuer. The assessment will consist of three elements: i) a supervisory risk assessment to review, quantitatively and qualitatively, key risks, including liquidity, leverage and funding; ii) an asset quality review (AQR) to enhance the transparency of bank exposures by reviewing the quality of banks' assets, including the adequacy of asset and collateral valuation and related provisions; and iii) a stress test to examine the resilience of banks' balance sheet to stress scenarios.

It is noted that, at the end of 2012 and in the course of 2013, Supervisory Authorities started sanctioning proceedings in relation to the 2008 capital increase underwritten by JP Morgan. For further details please refer to par. Legal proceedings below.

On 14 November 2013 the Board of Directors of the Bank reviewed and approved the third quarter results for 2013.

At the same meeting held on 14 November 2013, the Board of Directors of the Bank also coopted, as independent directors, Daniele Discepolo, Marco Miccinesi and Marina Rubini after directors Turiddo Campaini, Michele Briamonte and Tania Groppi left the Board in the previous months.

On 26 November 2013, the Board of Directors of Banca Monte dei Paschi di Siena met and resolved to submit a proposal for a share capital increase for cash for up to a maximum amount of Euro3 billion to the Extraordinary Shareholders' Meeting. The capital increase will entail the issue of new ordinary shares, with dividend and other entitlements accruing in the normal way, to be offered by way of a rights issue to holders of ordinary shares of Banca Monte dei Paschi di Siena, pursuant to art. 2441, para. 1, 2 and 3 of the Civil Code.

The proposed capital increase is part of the initiatives identified by Banca Monte dei Paschi di Siena's Management within the framework of the 2013-2017 Restructuring Plan, whose objectives and actions have been disclosed to the market in greater detail promptly after the approval of the same by the European Commission.

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, submitted, through the Ministry of Economy and Finance, to the European Commission on the same day and approved on 27 November 2013 by the Commission. For more information, please refer to the description of "*Banca Monte dei Paschi di Siena S.p.A.*", Section 5 (Strategy) below.

On 29 November 2013, the Bank entered into an 18-year agreement with the companies Basilichi and Accenture to provide finance and accounting, administration, and other back-office services to the Bank as part of its strategic restructuring plan to streamline and rationalize its operations. Basilichi and Accenture are expected to deliver a number of services through a joint venture that is 60 percent owned by Basilichi and 40 percent owned by Accenture. As part of the agreement, approximately 1,100 Banca Monte dei Paschi di Siena employees are expected to transfer to the new venture from the bank's administrative, accounting and auxiliary division. All transferring employees will retain their national bank workers' contract. Basilichi and Accenture are expected to begin delivering services in

January 2014 once the agreement, which is subject to regulatory approvals and the completion of union consultations, closes. The initiative brings together Bassilichi's and Accenture's industry expertise and advanced technical capabilities to enhance the quality of the bank's back-office services and better align its human resources.

On 19 December 2013, the Bank and Deutsche Bank AG entered into a settlement agreement governing the terms and conditions for early termination of the "*Santorini*" transaction. As part of the termination, the claim for compensation brought by the Bank against Deutsche Bank AG before the Court of Florence in relation to the same transaction were resolved by way of a settlement agreement. In particular, based on calculations made by the Bank using its assessment parameters, early termination *per se* would have entailed a cost of approximately Euro 746 million (equal to the *mark-to-market* value of the overall position consisting in BTPs, *Long Term Repo* and *Interest Rate Swap*). As a result of the settlement agreement, the actual cost charged to the Bank was lowered to Euro 525 million. Consequently, the Bank estimates the resulting economic benefit at approximately Euro 221 million.

Ratings

On 18 January 2013, DBRS Ratings Limited (DBRS) assigned new ratings to BMPS. The ratings are of investment grade and include a Senior Long-Term Debt and Deposit Rating of 'BBB' with a Negative Trend, as well as a Short-Term Debt and Deposit Rating of 'R-2 (mid)' with a Stable Trend. This rating was affirmed on 8 February 2013.

On 31 January 2013, Standard&Poor's (S&P) lowered BMPS' ratings. Specifically, the agency revised down its assessment of BMPS' Stand Alone Credit Profile (SACP) to 'b' from 'b+' and its long term rating to 'BB' from 'BB+', with a CreditWatch negative outlook. The bank's short-term rating, 'B', has been affirmed.

On 18 March 2013, following the downgrade of Italy's sovereign rating on 8 March 2013, Fitch has revised BMPS' outlook to Negative from Stable. At the same time the long-term and short-term Issuer Default Ratings have been affirmed at 'BBB'/'F3'. On 1 February 2013 the Bank's Viability Rating (VR) was placed on Rating Watch Negative.

On 9 May 2013, Moody's downgraded the bank's long-term debt and deposit ratings to 'B2' from 'Ba2', with negative outlook. At the same time, the standalone bank financial strength rating (BFSR) of 'E' was remapped to a standalone baseline credit assessment (BCA) of 'caa3' from 'caal'.

Further to the request of BMPS, S&P communicated on 14 June 2013 the withdrawal of their rating. At the time of the withdrawal, the Bank's long-and short-term ratings were 'B', with Negative Outlook.

On 20 June 2013, Fitch affirmed the Bank's ratings (particularly long-term rating at 'BBB', short-term rating at 'F3' and Support Rating Floor at 'BBB'), confirming the Bank's systemic importance. The outlook was negative and reflective of Italy's long-term Issuer Default Rating.

On 18 October 2013, the rating agency DBRS placed the Bank's long - and short-term Debt and Deposit Ratings of 'BBB' and 'R - 2 (mid)' under review; the coverage on the Bank was initiated by DBRS on 18 January 2013.

On 28 November 2013, the rating agency Fitch confirmed the Bank's ratings (specifically the long-term rating at 'BBB', the short-term rating at 'F3' and the Support Rating Floor at 'BBB').

5. Strategy

On 9 September 2013, the Bank gave notice that it was finalising the Restructuring Plan in coordination with the Ministry of Economy and Finance and with the Bank of Italy specifying that the Restructuring Plan has been prepared in accordance with the guidelines agreed with the European Commission, as clarified by the Ministry of Economy and Finance. On 24 September 2013, the Bank gave a further notice that the Board of Directors of the Bank discussed the guidelines set by the European Commission on the Restructuring Plan during a meeting held on 24 September 2013 taking the decision to postpone the approval of the Restructuring Plan to a forthcoming meeting in order to await for the completion of certain formal procedures required by the European Commission. On 7 October 2013, the Bank gave notice that the Board of Directors of the Bank approved on the date thereof the Restructuring Plan. Further to the approval of the Board of Directors, the Restructuring Plan has been submitted to the Ministry of Economy and Finance for subsequent transmission 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, submitted, through the Ministry of Economy and Finance, to the European Commission on the same day and approved on 27 November 2013 by the Commission.

Aimed at a radical transformation in the "way of banking", the 2013-2017 Business Plan is at the forefront of changes underway in the banking industry and will change the Bank's P&L and business model. In particular, the 2013-2017 Business Plan articulates the actions necessary to attain the objectives of the Restructuring Plan, which are centred around three key priorities:

- achieving sustainable levels of profitability (9% RoTE in 2017);
- strengthening capital quantity and quality (10% Basel III common equity in 2017);
- structural rebalancing of liquidity (90% loan/deposits ratio in 2017, calculated as loans/deposits and securities issued).

In the 2013-2017 Business Plan, these priorities incorporate elements of significant discontinuity and change, i.e. the business transformation of the Bank with management actions which will have positive effects even in the short term.

The Bank's business transformation is based on:

- a new distribution model more accessible to customers and less expensive for the bank, with fewer branches but more relationship-oriented, flexible sales points with increased customer interaction;

- an evolution in the intermediation model with more third-part products offered and a leaner balance sheet, aiming at an expansion of distribution agreements with third parties (consumer credit, leasing), an additional boost to “bancassurance” and innovative solutions to support SMEs (e.g. recent launch of Italy’s first Minibond fund);
- strengthening of operating efficiency with initiatives aimed at making the Bank leaner, more productive and “digital”;
- HR enhancement and development with a merit-based approach.

Management actions, which the Bank believes will have positive effects even in the short term, include:

- increasing commercial productivity in the Retail, Private and Corporate segments, with a view to becoming the Bank of choice for SMEs;
- improving loan book quality through a stronger monitoring process and prevention actions on performing loans, reduction in watchlist/non-performing loan stock, maximisation of debt collection and new organizational setup for the loan disbursement and credit monitoring process;
- increasing quantity and quality of capital, with a capital increase of up to EUR 3 billion and full repayment of the New Financial Instruments by 2017;
- a conservative risk management strategy and the rationalisation of the asset portfolio, with Government Bonds classified as AFS downsized from EUR 23 billion to 17 billion in 2017;
- continuing with incisive actions on renewal of operating and cost management models with a substantial upturn in efficiency and sustainable optimisation of the entire operating costbase.

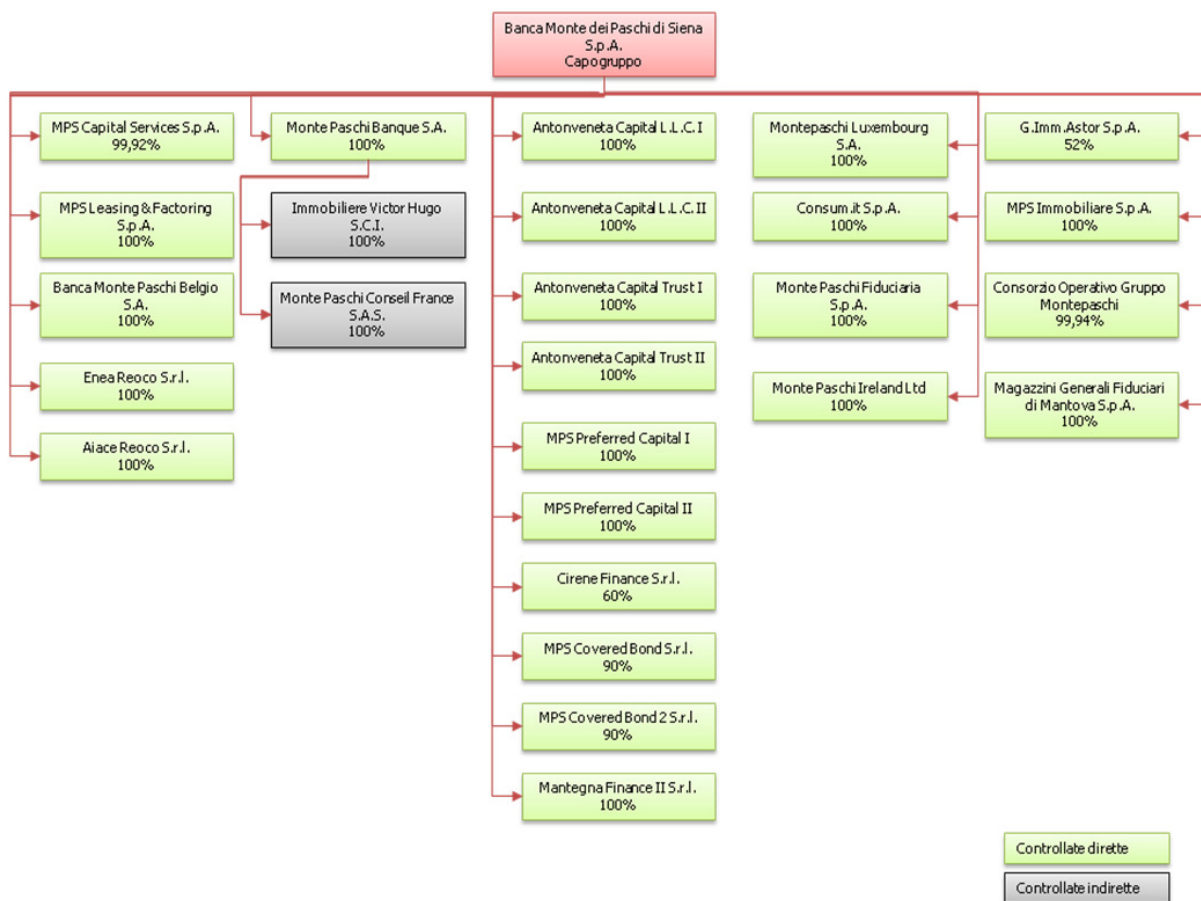
For more information, please refer to the press release dated 28 November 2013 and published on the website of the Bank (www.mps.it).

6. **Principal companies of the BMPS Group**

BMPS, as the parent company of the BMPS Group, performs the functions of policy, governance and control of the controlled financial companies and subsidiaries in addition to its banking activities.

BMPS, as the bank that exercises the management and coordination activities of MPS Group, pursuant to the fourth paragraph of Article 61 of the Legislative Decree 1 September 1993, n. 385, issues, in the performance of the activities of management and coordination, instructions to the companies of the Group, including execution of the instructions given by the relevant supervisory bodies and in the interest of the stability of the Group.

The chart below sets out the main companies of the Group and their percentage ownership as at 5 December 2013.



1. BMPS Group Profile

As at 30 September 2013, the BMPS Group is one of the leading Italian banking institutions with 28,470 employees, 5.5 million customers, assets of over EUR 207 billion and significant market shares in all the areas of business in which it operates.

The Group's main activity is retail banking. Other areas of business are: leasing & factoring, consumer lending, corporate finance, investment banking.

Customers are divided by target segments to which an ad hoc Service Model is applied so as to best respond to the specific needs and demands expressed, and are served through an integrated combination of "physical" and "remote" distribution channels.

The Group mainly operates in Italy through, as at 30 September 2013, 2,366 branches, 287 specialised centres dedicated to SME customers (134), private customers (87) and Institutions (66). Operations include a further 729 Financial Advisors supported by 128 regional offices.

The foreign network includes: 4 operational branches (London, New York, Hong Kong and Shanghai), 10 representative offices located in various "target areas" (EU, Central-Eastern Europe, North Africa, India and China), 2 banks under foreign law - MP Belgio (8 branches), MP Banque (17 branches).

2. **Funding**

General

As at 30 September 2013, total funding volumes for the Group amounted to approximately EUR 234 billion down 3.2% on the end of June 2013, as a combined result of a downturn both in direct funding (-3.5%) and indirect funding (-2.9%). As compared to 31 December 2012, total funding witnessed a reduction of 6.5%.

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.

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”.

Covered Bond Market

The BMPS Group has two different covered bond programmes: the first, launched in 2010 for a maximum outstanding nominal amount of EUR 10 billion, is intended mainly for Covered Bonds to be placed on the market whereas the second - authorised in February 2012 for a maximum outstanding nominal amount of EUR 20 billion – is intended exclusively for Covered Bonds eligible as collateral in refinancing transactions through the European Central Bank.

On 30 September 2013, the outstanding nominal amount of Covered Bonds issued under the € 10 billion Programme is around € 6.5 billion

3. **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.

4. **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.

5. **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

Set forth below is a summary description of significant claims and legal proceedings which involve the Group and its directors.

- Civil lawsuit brought before the Court of Milan. The action, taken by the Extraordinary Administrators of a company against the former directors, auditors and (direct and indirect) shareholders of the same company (including BMPS), seeks the assessment of liabilities for damages, not yet quantified, allegedly caused by the appearing parties to the company. The action is grounded on intricate and complex corporate matters which saw the involvement of the company from 1999 to 2009 and which, as far as the Bank and other appearing parties are concerned, pivot around the company's demerger in 2003. The case is still in the initial phase.
- Civil lawsuit brought before the Court of Florence. The lawsuit concerns a claim for compensation for alleged damages due to contractual liability brought by the plaintiff against the Bank jointly with other credit institutions.

A ruling by the Court not yet covered by final judgment has rejected the claims against the Bank.

- Civil lawsuit brought before the Court of Salerno. This case, where BMPS is sued together with other credit institutions and companies, seeks the assessment of alleged damage suffered by the plaintiff, as a result of an alleged unlawful report filed with the Italian Central Credit Register. The case is under preliminary investigation by the Court of First Instance.
- Civil lawsuit brought before the Court of Brescia. The lawsuit concerns a claim for compensation for alleged damages brought before the Court by the Trustee in Bankruptcy due to banking transactions completed as part of the capital increase of the company which then failed. The case is under preliminary investigation by the Court of First Instance.
- Arbitration proceeding brought before the Arbitration Chamber in Milan. The case is an arbitration proceeding involving a claim for damages due to alleged documentary irregularities or shortcomings in relation to loans originated and sold by a Bank merged with the plaintiff company. The jurisdiction of the Arbitration Chamber stems from a clause in the disposal agreements. The case is in the initial phase.
- Appeal lodged with the Regional Administrative Court of Lazio. The appeal was lodged against the Bank with the Regional Administrative Court of Lazio by associations of consumers and users seeking annulment of deeds relating to the procedure for the issuance of New Financial Instruments (Monti Bonds) for the Bank. The Regional Administrative Court of Lazio and the Italian State Council rejected all petitions for precautionary measures submitted by the parties. Still pending is only an additional proceeding filed by a consumer group with the Regional Administrative Court of Lazio seeking annulment of the deeds which formalised the procedure for the issuance of Monti Bonds subsequent to the first ruling favourable to the Bank by the Regional Administrative Court of Lazio.
- Civil lawsuit brought before the Court of Palmi. This case, where BMPS is sued together with other credit institutions, seeks the assessment of alleged damage suffered by the plaintiff, as a result of purported usury-like interest. The case is still in the initial phase.
- Class action brought before the Court of Florence. Judgment passed, pursuant to art. 140 bis of the Consumer Code, by a Consumer Group (ADUSBEF) acting under special power of attorney on behalf of certain investors/shareholders of the Bank to seek compensation for alleged damage suffered by investors who entered into financial transactions connected with the Bank's capital strengthening initiatives in previous financial years. The claims for damages were lodged on the basis of purportedly inaccurate disclosure of information by the Issuer in the course of the transactions. The case is still in the initial phase of judgment. It is noted that, although not material in amount, other individual actions have been brought against the Bank for similar reasons. In relation also to the above, it is noted that individual initiatives for compensation of damages have been

brought against the Bank by some shareholders before other Courts, such as the courts of Lecce and Trani, for similar reasons, as well as for alleged incorrect disclosure of information by the Issuer concerning transactions involved in the 2008 capital increase.

- Codacons appeal against the issuance of “Monti Bonds”. On 28 January 2013 Codacons filed an appeal with the Lazio Regional Administrative Court (TAR) seeking annulment of the resolution whereby the Executive Board of the Bank of Italy gave the go-ahead for the issue of “Monti bonds” in favour of the Bank. On 22 February 2013 the Court rejected Codacons' appeal. On 2 March 2013 Codacons lodged a new appeal with the Regional Administrative Court, disputing the measure with which the Ministry of the Economy completed the issuance of “Monti bonds”;
- Italian State Council - Recourse by the Italian Antitrust Authority
Antitrust Authority (“AGCM”) proceedings. Whereas the AGCM, with its resolution of 15 July 2009, had initiated proceedings to ascertain whether art. 81 of the EC Treaty had been breached by some companies and banking institutions including Bank, the latter has rejected all commitments undertaken in the meantime by all parties involved, as it considered them inappropriate to solve the anti-competitive concerns focused upon in the proceedings. In this regard, AGCM imposed on the Bank an administrative sanction of EUR 910,000 with the order to abstain "from applying the rules of the circuit to which the license agreements are referred, and of contractual clauses with merchants which restrict competitive freedom in the Acquiring market." The proceeding has been appealed against before the first section of the Regional Administrative Court of Lazio, which accepted the appeal on 11 July 2011, partly declaring the challenged deeds null and void. In turn, AGCM has lodged an appeal, requesting a review of the case. The hearing has not yet been set.
- Proceedings against the previous management and other third parties. In accordance with notifications by the judicial authorities, investigations are currently being conducted by the magistrates into financial transactions for funding of the acquisition of Banca Antonveneta and existing loans to the Monte dei Paschi di Siena Foundation. In this regard, the Bank initiated, against members of the previous management and third parties involved in the same investigations, a series of preliminary actions for compensation of damages, conditional upon positive developments in the civil lawsuits already instituted and any potential criminal lawsuits the Bank may file or in which it may claim damages as a civil party. On the other hand, as part of the same civil proceedings instituted by the Bank for liability actions and claims for damages, it cannot be excluded that the Bank may possibly be claimed against for further damages in a cross-action, which may reduce, even significantly, the prospects for compensation in its favour. The Bank is claimed against for compensation of damages by investors who entered into financial transactions connected with the capital strengthening initiatives put in place by the Bank in prior years. These claims were lodged on the basis of purportedly inaccurate disclosure of information by the Bank in the course of the transactions. In connection with the above, on 1 March 2013 the Bank has brought (i) a

corporate liability action against former Chairman Giuseppe Mussari and former General Manager Antonio Vigni and an extra-contractual liability action against Nomura International Plc and a corporate liability action against former General Manager Antonio Vigni and (ii) an extra-contractual liability action against Deutsche Bank AG for its concurrence with the aforementioned Bank representative in relation to the Total Return Swap transactions carried out through the special purpose vehicle, Santorini Investment Ltd, in December 2008. On 19 December 2013, as part of the termination of the "*Santorini*" transaction, the Bank settled the claims for compensation filed as part of the legal action cited above, to an extent limited to Deutsche Bank AG's share of liability in the deal, without prejudice to - and under reservation of all rights in connection with - the corporate liability action brought against the former General Manager Antonio Vigni. The settlement agreement shall also be without prejudice to any other claim brought by the Bank against any additional individuals jointly liable for the "*Santorini*" transaction.

- At the end of 2012 and in the course of 2013, Supervisory Authorities started sanctioning proceedings in relation to the 2008 capital increase underwritten by JP Morgan. The critical elements raised by the authorities concern aspects relating to the accounting treatment of the transaction which, given the time in which it occurred, are already reflected in the shareholders' equity book value as at 31 December 2012. The Bank has been notified a letter issued by the Bank of Italy and a letter issued by CONSOB, respectively dated October 10, 2013 and December 10, 2013 in which Bank of Italy and CONSOB concluded, among others, that the portion equal to approximately Euro 76 million of the capital increase, occurred in 2008 and in connection with the transaction known as "FRESH 2008", backed by an indemnity letter issued by the Bank to Bank of New York in 2009, should have been accounted for as a liability and not as a share capital increase. CONSOB requested that the Bank - pursuant to art. 114, paragraph 5, of the Financial Laws Consolidation Act and no later than the next financial statements as at 31 December 2013- adjust the amount of the consolidated and unconsolidated shareholders' equity by an amount (estimated at EUR 76 million as at the date of the Prospectus, similarly to as was carried out with adjustments on regulatory capital) which takes into account the impact of the indemnity letter issued by BMPS to The Bank of New York upon adoption of certain decisions amending the terms and conditions of the FRESH 2008 notes for a portion of such FRESH notes. Such adjustments will be carried out on the basis of information available to the Bank at the date of preparation of its financial statements until such indemnity is considered effective and as already carried out, for the purpose of the reclassification amount and the prudential regulatory reporting. In addition, as long as the Bank shall be required to carry out these adjustments, the portion of the relevant fees, where paid, relating to the FRESH 2008 notes proportional to the total amount of bonds covered by the indemnity, must be accounted for in the income statement. The financial information contained in the Prospectus does not reflect the impact of this reclassification and, hence, investors are invited to evaluate such information taking also into account of the data reported herein. Moreover, it is not possible to exclude that the implementation of such adjustments may have possible negative effects on the P&L, balance sheet and/or financial position of the Bank and/or the Group.

Based on the above, (i) as disclosed in the notes to the unaudited interim condensed consolidated financial statements as of September 30, 2013, the Bank has already excluded the above amount from regulatory capital, (ii) the Bank is currently discussing with the above mentioned authorities the appropriate accounting treatment to be applied, and (iii) the accounting treatment to be applied should not affect the equity instruments account, the share premium account, or the share capital account of the Bank.

- **Sanctioning proceedings**

It is further noted that, partly as a result of inspections and other in-depth reviews periodically carried out by Supervisory Authorities, the Italian Securities Commission (CONSOB) has initiated all necessary in-depth reviews and related administrative sanctioning proceedings for the enforcement of related administrative sanctions concerning, among other aspects, the claimed non-compliance with provisions under article 94, paragraphs 2 and 3, and article 113, paragraph 1 of the Financial Laws Consolidation Act. The claims raised as part of the afore-mentioned verifications concern, inter alia, aspects regarding the accounting representation of the capital increase underwritten by JP Morgan in 2008. In particular, claims were made against possible irregularities in the public offer documentation prepared by the Issuer in relation to prior public offers of instruments issued, including the alleged failure to describe the stipulation of an indemnity side letter in favour of the Bank of New York as part of the Fresh 2008 transaction and the assumingly incorrect accounting of certain components of said transaction.

- **Sanctioning measures by the Supervisory Authorities**

On 28 March 2013, the Bank of Italy issued the sanctioning measure ensuing from the proceeding initiated against the members of the former Board of Directors and Board of Statutory Auditors, as well as former General Manager and Managing Board of the Issuer, in relation to inspections carried out by the Bank of Italy in the period from September 2011 to March 2012. The offenders, in office at the time of the inspection, and the Bank, as jointly and severally liable, were sentenced to fines amounting to a total of EUR 5,065,210; the fines were enforced against the members of the Board of Directors and Board of Statutory Auditors, General Manager and other members of the Managing Board for violation of regulations on financial risk mitigation; against members of the Board of Directors and Board of Statutory Auditors and the General Manager due to shortfalls in the internal control organisation and, finally, against the members of the Board of Statutory Auditors due to weaknesses in controls. In this connection, being held jointly and severally liable for payment of the sanctions imposed, the Bank has already effected payment and recourse actions have been initiated against the sanctioned parties.

- On 25 July 2013, some members of the previous Board of Directors and Remuneration Committee as well as the Bank - as jointly and severally liable - were notified of a sanctioning measure by the Bank of Italy for violation of rules on compensation and incentive policies and practices for banks and banking groups issued by the Bank of Italy, as well as Statutory Auditors'

violation of the same provisions and obligations of disclosure to the Supervisory Authority with regard to the determination of economic benefits recognised to the former General Manager upon early termination of his employment relationship. Sanctions imposed total EUR 1,287,130. After payment of the sanctions applied, the Bank will institute the obligatory action of recourse against the former corporate representatives sanctioned, initiating - in response to all means of impugment of the sanctioning measure put in place by the individual parties involved - all necessary legal actions, including enforcement actions, to recover the amounts paid. In this connection, being held jointly and severally liable for payment of the sanctions imposed, the Bank has already effected payment and recourse actions have been initiated against the sanctioned parties.

- With regard to the FRESH 2008 transaction, in December 2012 the Bank of Italy initiated a sanctioning proceeding for violation of provisions of regulatory supervision, provisions of disclosure supervision due to lack of disclosure to the Supervisory Authority, incorrect supervisory reporting and irregularities in the accounting treatment and recognition of accounting items in the financial statements. On 10 October 2013, BMPS -held as jointly and severally liable - was notified by the Bank of Italy of the sanctioning measure imposing administrative fines on Directors, Statutory Auditors and some managers in office at the time of facts, for a total amount of EUR 3,472,540. The Bank has not proposed any actions of impugment against the sanctioning measure and, in its capacity as jointly and severally liable, has effected payment of the fines involved. Similarly to the previous measures, the Bank intends to initiate preliminary activities for actions of recourse allowing for the suspension of such action - for the time necessary to put into effect all means of impugment provided for by the existing regulations - on sanctioned parties for whom, with regard to the irregularities claimed, no willful misconduct or gross negligence has been found, no corporate liability action has been instituted and no request for indictment has been submitted as part of a correlated pending criminal proceeding brought before the Court of Siena.

6. Tax Litigation

In the Notes to the Financial Statements for the year as at 31 December 2010 and accompanying accounting reports, disclosure was made of a claim by the Italian Revenue Agency against certain securities trading transactions, completed in the period straddling dividend payout dates, and certain repurchase agreements in foreign securities. Specifically, undue tax benefits (so-called “abuse of law”) were claimed for these transactions, which were completed between 2002 and 2008, although they were obtained by legitimate application of existing rules and regulations.

On 2 December 2011, the Bank agreed to settle all claims raised by the Italian Revenue Agency by way of payment of a large proportion of tax due and sanctions (plus any interest required by law) for an amount of EUR 260.2 million (of which EUR 258.3 million was paid by the Bank and EUR 1.9 million was paid by the subsidiary, MPS Capital Services). This amount was posted to items 220 – Other operating expenses (income) (see Part C, Table 15.1) and 290 – Tax expense (income) on profit (loss) (see Part C, Table 20.1) of the audited consolidated financial statement of the Issuer as at and for the year ended on 31 December 2011.

Although fully convinced of its legitimate behaviour, the Bank opted for settlement after assessing with the utmost caution all risks and possible solutions that appeared to be connected with the claims, which saw the involvement of all main national banking groups. The assessment took account of the reduction in the extent of the amount due compared to the total amount of the original claims and the serious damage which was likely to be caused to the reputation of the Bank and the Group by a state of prolonged uncertainty.

On 31 May 2012 the Bank was served a tax audit report (processo verbale di constatazione or PVC) in relation to the transfer of a holding in BMPS that was formalised in 2006.

The tax audit report reconstructs the events stating that the transfer of the holding actually occurred in 2005, rather than in 2006: consequently, the capital gain realised would not have been eligible for the participation exemption regime (the so-called “pex” regime). Because this offence also gives rise to potential criminal issues, although the ordinary statute of limitation has run with respect to service of another tax audit report for the year in question, it will be possible for the tax authorities to serve a tax assessment, with the ordinary statute of limitations being doubled.

In the event that the Tax Authorities (*Agenzia delle Entrate*) decide to serve such a tax assessment, the parent company of the Group believes, on the basis of the advice of expert consultants, that it is unlikely that it would not prevail.

In July 2013, the Revenue Agency notified two notices of assessment (one for the subsidiary, Consumit S.p.A., and the securitisation vehicle, Consum.it Securitisation S.r.l.; the other for the Parent Company and the same securitisation vehicle, Consum.it Securitisation S.r.l.) in relation to the registry tax on two different deeds concerning the same securitisation transaction. The Company, supported by the opinions of dependable consultants, deems the risk of losing unlikely.

The assessment notice was served on 4 November 2013 and is currently being examined.

On 25 June 2013, the Tax Police Unit of the Guardia di Finanza of Siena, upon an order from Siena's Public Prosecutors, started an investigation, currently in progress, to review some real estate transactions carried out by the Company in the last few years

As at today, the transactions under review include:

- the allocation, in 2011, of an important property of the Company to a real estate fund and subsequent disposal of the fund shareholding, as arising from the allocation; with regard to this transaction, the Guardia di Finanza served an official tax audit report (it. PVC) in September of this year: supported by the opinions of dependable external consultants, the Bank deems the risk of losing connected with the individual findings in the report as remote in some cases and unlikely in others;
- the “*Chianti Classico*” transaction, whereby a business undertaking comprising part of the Group's real estate properties used in the business,

owned by the Company, was transferred to a consortium joint-stock company in 2009 (Perimetro Gestione Patrimoni Immobiliari S.C.p.A.): no claim has yet been formalised in relation to this transaction.

As part of its tutoring activities, under art. 27, paragraphs 9 to 14 of Legislative Decree no. 185/2009 for companies with revenues or turnover of no less than EUR 100 mln, the Revenue Agency has initiated an assessment of the Group's funding policy fairness, with particular regard to operations conducted by the Irish subsidiary. No claim has yet been formalised in this respect and in-depth reviews are being carried out with the Agency.

Assessments with the same Agency are also being conducted in relation to claims concerning the appropriate VAT treatment of fees and commissions on transactions as a custodian bank (a business which is no longer carried out by the Bank or the Group): considering the widespread extent of this business in the system and its relevance for asset management companies as well as for other entities, the central bodies of the Revenue Agency and Trade Associations (ABI and Assogestioni) are also interested in these assessments.

A number of disputes arising from different circumstances, primarily referred to the Bank and marginally to other subsidiaries, are also pointed out. In line with the opinion expressed by dependable external consultants, the risk of losing connected with the individual disputes, each one for a non-material amount, is deemed unlikely.

Finally, some litigation cases of non-material individual amounts are reported, whose risk was deemed probable and in relation to which appropriate provisions have been taken in the balance sheet.

MANAGEMENT OF THE BANK

The management of the Bank is divided among the Board of Directors and the Chief Executive Officer, who manages the day-to-day operations of the Bank. The Board of Directors consists of 12 members. The selection of such members must be notified to the Bank of Italy in accordance with the Bank of Italy Supervisory Rules (*Istruzioni di Vigilanza*). Each member of the Board of Directors is required to meet the honourability and professionalism requirements provided by law. The Chief Executive Officer is appointed by the Board of Directors. Under the Italian Civil Code, the Bank is required to have a board of statutory auditors.

The Charter allows also the possibility for the Board of Directors to constitute an Executive Committee to which it can delegate its own powers determining the limits of such delegation. Board of Directors.

The Directors currently in office, appointed by the annual general Shareholders' meeting held on 27 April 2012 and in charge until the approval of the annual financial statements for the year ending 31 December 2014, is composed of twelve directors of which 9 directors were in charge on the date of 19 November 2013. In particular, on 18 July 2013, the general Shareholders' meeting passed the revocation of a director (Michele Briamonte) and, following the resignations of three other directors during the months of September and October 2013 (Frédéric Marie Courtois D'Arcollières, Tania Groppi and Turiddo Campaini), the Board of the Directors coopted four new directors (on 24 September 2013 Béatrice Bernard and on 14 November 2013 Marco Miccinesi, Daniele Discepolo and Marina Rubini). Such directors have been co-opted in accordance with article 2386 of the Italian Civil Code, until the date of the next Shareholders' Meeting of the Bank.

The Board of Directors of the Bank is composed of the following persons:

| <u>Name</u> | <u>Year of Birth</u> | <u>Position</u> | <u>Year Appointed</u> | <u>Other principal activities and roles</u> |
|--------------------|----------------------|--|-----------------------|--|
| Alessandro Profumo | 1957 | Chairman Member Executive Committee | 2012 | Board member of Eni S.p.A. Board member at Università Commerciale Luigi Bocconi Member of the Executive Committee of ABI (Italian Banking Association) |
| Marco Turchi | 1961 | Deputy Chairman Member Executive Committee | 2012 | Chairman of the board of statutory auditors of Agricola Merse S.r.l., CMP S.p.A., Frati Luigi S.p.A., Sta S.p.A., Terme Antica |

| Name | Year of Birth | Position | Year Appointed | Other principal activities and roles |
|--------------------------|----------------------|--|-----------------------|--|
| Fabrizio Viola | 1958 | Chief Executive Officer General Manager Member Executive Committee | 2012 | Querciolaia S.p.A., Toscana Discount S.r.l., CRAI Toscana Soc.Coop.r.l., Director of Alesund S.r.l., Toscana Discount S.r.l. Member of the Board of ABI (Italian Banking Association) Director of AXA MPS Assicurazioni Vita S.p.a., Director of AXA MPS Assicurazioni Danni S.p.a. Member of the Executive Committee of ABI (Italian Banking Association) |
| Alberto Giovanni Aleotti | 1972 | Director Member Executive Committee | 2012 | Vice Chairman of A.Menarini I.F.R. S.r.l., Member of the supervisory board of Berlin-Chemie AG, Director of Menarini Partecipazioni S.r.l. Director of Pharmafin S.p.A. Director of Toscofarma S.r.l. |
| Pietro Giovanni Corsa | 1955 | Deputy Chairman Member Executive Committee | 2012 | Director of companies belonging to Menarini Group, amongst which: A. Menarini Farmaceutica Internazionale, A. Menarini Diagnostica Internazionale, A. Menarini Pharma Messico. |
| Beatrice Bernard | 1963 | Director | 2013 | General Manager of AXA MPS Assicurazioni Vita |

| Name | Year of Birth | Position | Year Appointed | Other principal activities and roles |
|-----------------|----------------------|--|-----------------------|--|
| Paola Demartini | 1962 | Director | 2012 | S.p.A. General Manager AXA MPS Assicurazioni Danni S.p.A. Director of AXA MPS Financial LTD Professor of Business Economy at Università Roma Tre |
| Angelo Dringoli | 1947 | Director | 2012 | Professor of Business Finance at Università di Siena |
| Lorenzo Gorgoni | 1942 | Director Member Executive Committee | 2012 | |

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.

Shareholders' meetings may be called by the Board of Directors and generally must be called at holders' request of at least 5 per cent. of the outstanding ordinary shares. Directors hold office for a period of three years and are elected by *voto di lista*. The Chairman and the Deputy Chairmen are nominated by a majority of the voting Shareholders among the elected Board of Directors. Directors may be re-elected for two consecutive terms after the first mandate with the exception of the outgoing Managing Director and their office may be revoked at any time by the voting Shareholders in general meeting. On the basis on what passed by the general Shareholders' meeting on 18 July 2013 the Bank implemented the new regulations on "gender quotas" seeking to ensure gender balance in the composition of the Board of Directors and Board of Statutory Auditors.

According to the Shareholder's resolution held on 18 July 2013, the election of the members of the Board of Directors is carried out on the basis of the Shareholders' voting lists which may not include candidates who, on the date of the Shareholders' meeting, are seventy-five years old. The Shareholders' meeting appoints the Chairman whose age may not be superior to seventy years at the date of the appointment whereas the Board of directors may appoint one or more Managing Directors of an upper age limit of sixty-seven years at the date of the appointment. In addition, the Shareholders' meeting passes resolutions on the directors' retribution for the whole term of their mandate.

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 reasonable and detailed request, including the items on the agenda, of at least three Directors 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 and 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.

The Managing Director, executive director, exercises their functions within the delegated authority and according to the procedure established by the Board of Directors. In case of absence or impediment of the Chairman or the Deputy Chairman, in an emergency the authority to be exercised to the Chairman is assigned to the Managing Director.

The current Managing Director is Fabrizio Viola, appointed by the Bank's Board of the Directors on 3 May 2012.

Conflicts of Interest of Members of the Board of Directors

At the date of this Prospectus, to the knowledge of the Bank, none of the Directors mentioned above have private interests that conflict with their functions or duties arising from their position on the Board of Directors.

Chief Executive Officer

The Chief Executive Officer (*Amministratore Delegato*) carries out its functions within the limits of the delegated powers and in the manner determined by the Board of Directors. The Chief Executive Officer also holds powers delegated by the Chairman of the Board of Directors, to be exercised as a matter of urgency in the event of an absence or impediment of him or any substitute.

The Chief Executive Officer is Mr. Fabrizio Viola who was appointed by the Board of Directors of the Bank on 3 May 2012.

The address of the CFO for the duties he discharges is: Piazza Salimbeni 3, Siena, Italy.

Executive Committee

The Executive Committee is formed by the Chairman, the Deputy Chairmen, the Chief Executive Officer and the other members selected by the Board of Directors.

The Executive Committee was appointed by the Board of Directors on 14 May 2013. Its members are: Alessandro Profumo, Fabrizio Viola, Marco Turchi, Pietro Giovanni Corsa, Alberto Giovanni Aleotti and Lorenzo Gorgoni.

The address of the Executive Committee for the duties they discharge is: Piazza Salimbeni 3, Siena, Italy.

General Manager

The current General Manager (Direttore Generale) is Fabrizio Viola who was appointed by the Board of Directors on 12 January 2012. Fabrizio Viola has also been appointed as Chief Executive Officer. The General Manager is appointed by the Board of Directors which may also remove or suspend the General Manager from his office. The General Manager attends the meeting of the Board of Directors but has no right to vote on proposed resolutions at such meetings.

The General Manager undertakes all operations and acts which are not expressly reserved for the Board of Directors or the Executive Committee. He oversees and is responsible for the overall administration and structure of the Bank and implements resolutions of the Board of Directors. He participates in meetings of the Board of Directors and proposes matters to the Board of Directors for approval, including matters relating to loans, the coordination of activities of the Group and the recruitment of officers and employees.

The address of the General Manager for the duties he discharges is: Piazza Salimbeni 3, Siena, Italy.

Senior Management

The table below sets forth the names of the current senior management of the Bank, together with their positions.

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

| Name | Position |
|----------------|---|
| Fabrizio Viola | Chief Executive Officer / General Manager |
| Antonio Marino | Vice General Manager |

The CFO appointed on 15 May 2012 (effective as from 15 June 2012) is Bernardo Mingrone.

As at the date of this Prospectus, to the knowledge of the Bank, none of the General Manager, the Vice General Manager and/or the CFO has private interests that conflict with their duties to the Bank.

Board of Statutory Auditors

The Bank, like all Italian *società per azioni*, is required to have a Board of Statutory Auditors, who have a duty to Shareholders, to whom they report at the annual general Shareholders' meeting approving the financial statements. The Board of Statutory Auditors is required to verify that the Bank complies with applicable law and its by-laws, respects the principles of correct administration, and maintains adequate organisational structure, internal controls and administrative and accounting systems. The members of the Board of Statutory Auditors are required to meet at least once every 90 days and must be present at meetings of the Board of Directors, Shareholders' meetings and meetings of the Executive Committee. The Board of Statutory Auditors of the Bank is composed of three standing members and two alternate members. Statutory Auditors are appointed by the Shareholders at a general meeting for a three year term and may be re-elected for consecutive terms. The general meeting of Shareholders also sets the remuneration of the Statutory Auditors for their entire terms.

The Board of Statutory Auditors of the Bank, who will remain in office until the Shareholders' meeting to approve the financial statements for the 2014 fiscal year, is as follows:

| Name | Year of Birth | Title |
|-----------------------------|----------------------|---|
| Paolo Salvadori | 1947 | Chairman of the Board of Statutory Auditors |
| Paola Serpi | 1965 | Auditor |
| Claudio Gasperini Signorini | 1966 | Auditor |
| Stefano Andreadis | 1956 | Alternate Auditor |
| Franco Michelotti | 1958 | Alternate Auditor |

Financial Reporting Officer

On 14 May 2013, the Bank's Board of the Directors appointed, according to Article 31 of the of the Bylaws, Arturo Betunio as Financial Reporting Officer, effective from his entry into the Group (on 10 June 2013) as Head of Administration & Budgeting.

Until such date, the role of Financial Reporting Officer has been covered by the Bank's Chief Financial Officer, Bernardo Mingrone.

Statutory Auditing

On 7 April 2010, Legislative Decree n. 39 of 27 January 2010 (the "Decree 39") concerning the "Implementation of Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts, amending Council Directives 78/660/EEC and 83/349/EEC and repealing Directive 84/253/EEC" entered into force. Decree 39 implemented new rules concerning the "statutory audit" by introducing innovations relating to the audit of annual financial statements and consolidated financial statements.

The statutory audit shall be performed by an independent auditor meeting the requirements established by law.

The ordinary Shareholders' meeting appointed, on 29 April 2011, Reconta Ernst & Young S.p.A., as new independent auditors for a nine year period (2011-2019) pursuant to articles 13 and ss. of Decree 39, article 2409-bis of the Italian civil code and article 30 of the Bank's by-laws.

Main Shareholders as at 5 December 2013

| Shareholders | % share capital on overall share capital |
|--------------------------------------|---|
| Fondazione Monte dei Paschi di Siena | 33.5% |
| Finamonte S.r.l. | 4.00% |
| Axa S.A. | 3.73% |
| JP Morgan Chase & Co. | 2.53% |

A new provision was inserted in the BMPS By-laws which 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.

The Bank is not aware of the existence of any agreements which would lead to a change in the ownership of the company, resulting in a different subject being in control of the company.

CAPITAL ADEQUACY

The Bank of Italy has adopted risk-based capital guidelines pursuant to the EU capital adequacy directives. Italy's current capital ratio requirements are in line with the requirements imposed by the international framework for capital measurement and capital standards of banking institutions of the Basel Committee on Banking Regulations and Supervisory Practices (the "**Basel Committee**"). The capital adequacy guidelines set out Tier I and Tier II capital requirements relating to a bank's assets and certain off-balance sheet items weighted according to risks ("**Risk-Weighted Assets**"). Under the Bank of Italy's guidelines, risk-weighted capital ratios are required to be calculated for the Bank on a standalone basis and for the Bank and its consolidated subsidiaries as a group. In addition, certain of the Group's banking subsidiaries are subject to the capital adequacy guidelines on a stand-alone basis. The Group is required to maintain a consolidated total capital ratio (which is the ratio of total capital to total Risk-Weighted Assets) of at least 8%, and each of its banking subsidiaries is required to maintain a total capital ratio on a stand-alone basis of 6%.

BMPS Group capital consolidated ratios at 30 September 2013 are as follows:

- Tier 1 Ratio: 11.8 per cent (9.5 per cent at 31 December 2012, as published and revised⁴);
- Total Capital Ratio: 16.6 per cent (13.7 at 31 December 2012).

Nevertheless, it is important to underline that capital requirements are currently under revision. The Basel Committee on Banking Supervision Published final rules in December 2010, concerning capital framework changes, commonly known as Basel III.

⁴ Data as at 31 December 2012 was partially restated after the Bank was requested by the Supervisory Authority on 7 May 2013 to apply a negative prudential filter of -EUR 76 million, having a retroactive effect on Tier 1. Therefore the capital ratios change as follows (as exposed in the "Consolidated quarterly financial report" at 3Q 2013):

Tier 1 Ratio: 9.5 per cent

Total Capital Ratio: 13.7 per cent

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:

- (c) Risk-assessment procedure (*istruttoria di rischio*)

- (d) Loan Proposal and Approval (*proposta e delibera di fido*)
- (e) Technical procedure (*istruttoria tecnica*)
- (f) Legal procedure (*istruttoria legale*)

Once the procedure has been completed, the application is submitted to the competent decision-making body for approval.

1.1 **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 (*Loan proposal and approval* (proposata e delibera di fido)) 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).

1.2 **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.

1.3 **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.

1.4 **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:

7. 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*);
8. 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;
9. 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.

BANCA ANTONVENETA S.P.A.

Additional Seller, Additional Servicer and Additional Subordinated Lender

History and development

Banca Antonveneta S.p.A. ("**BAV**" or the "**Company**") was created from the merger by incorporation of "**former Banca Antonveneta**" in Banca Monte dei Paschi di Siena S.p.A with effect from 31 December 2008. Commencing on 1 January 2009, Banca Monte dei Paschi di Siena S.p.A transferred the banking business previously carried on by former Banca Antonveneta in the "*Triveneto*" area (comprising the Veneto, Friuli-Venezia Giulia, and Trentino-Alto Adige regions) to the newly-established Antonveneta.

On 1 January 2009, Antonveneta started its banking operations within the Monte dei Paschi di Siena banking group.

In accordance with Article 3 of the By-laws, the Company's duration is fixed until 31 December 2100 and may be extended by resolution of the Shareholders' meeting.

Antonveneta has its registered office in Padoa, Piazzetta F. Turati 2. Pursuant to Article 5 of the By-laws, the Company's object is to carry on banking activities, financial activities and activities related and incidental thereto.

On 23 April 2013 a deed of merger by way of incorporation of BAV into BMPS (the "**Merger**") was signed 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.

As a consequence of the Merger, the tables below refer to the BAV's financial statements for the years ended until 31 december 2011 and 31 December 2012, as the case may be.

BREAKDOWN OF LOANS AND ADVANCES TO CUSTOMERS

(amounts in thousand of Euro)

| | 31.12.2012 | % | 31.12.2011 | % |
|---|-------------------|---------------|-------------------|---------------|
| Current accounts | 1.991.576 | 16,16 | 2.024.301 | 16,19 |
| Repurchase agreements | - | - | 101 | 0,00 |
| Mortgage loans | 7.469.229 | 60,60 | 8.001.882 | 64,01 |
| Credit cards, personal loans and fifth of salary-backed loans | 42.743 | 0,35 | 49.413 | 0,40 |
| Financial leasing | - | - | - | - |
| Factoring | - | - | - | - |
| Other transactions | 2.821.879 | 22,89 | 2.425.124 | 19,40 |
| Structured securities | - | - | - | - |
| Other debt securities | - | - | - | - |
| Total | 12.325.427 | 100,00 | 12.500.821 | 100,00 |

| | 30.06.2012 | % | 30.06.2011 | % |
|---|-------------------|---------------|-------------------|---------------|
| Current accounts | 2.427.460 | 17,65 | 2.587.216 | 18,73 |
| Repurchase agreements | - | - | 23.219 | 0,17 |
| Mortgage loans | 8.418.031 | 61,20 | 8.602.465 | 62,28 |
| Credit cards, personal loans and fifth of salary-backed loans | 40.263 | 0,29 | 51.355 | 0,37 |
| Financial leasing | - | - | - | - |
| Factoring | - | - | - | - |
| Other transactions | 2.868.369 | 20,85 | 2.548.454 | 18,45 |
| Structured securities | - | - | - | - |
| Other debt securities | - | - | - | - |
| Total | 13.754.123 | 100,00 | 13.812.709 | 100,00 |

LOANS AND ADVANCES TO CUSTOMERS AS AT 31 DECEMBER 2012

| | Gross exposure | % | Total net | | % |
|---|-----------------------|-----------------|----------------------|-----------------------|-----------------|
| | | | Impairment losses | Net exposure | |
| Other assets (performing + country risk) | 12.396.335.937 | 82,97 % | 70.909.421 | 12.325.426.516 | 90,29 % |
| Impaired loans | 2.544.134.973 | 17,03 % | 1.219.175.618 | 1.324.959.355 | 9,71 % |
| Restructured loans | 183.802.637 | 1,23 % | 18.746.882 | 165.055.755 | 1,21 % |
| Past due loans | 135.711.355 | 0,91 % | 8.192.311 | 127.519.044 | 0,93 % |
| Watchlist loans | 467.219.109 | 3,13 % | 96.185.340 | 371.033.769 | 2,72 % |
| Non-performing loans | 1.757.401.872 | 11,76 % | 1.096.051.085 | 661.350.787 | 4,84 % |
| Total | 14.940.470.910 | 100,00 % | 1.290.085.039 | 13.650.385.871 | 100,00 % |

CUSTOMER ACCOUNTS AND SECURITIES

(amounts in thousand of Euro)

| | 30.06.2012 | % | 30.06.2011 | % |
|--|-------------------|---------------|-------------------|---------------|
| Customer accounts | 6.976.311 | 69,61 | 7.307.490 | 68,57 |
| Securities in issue | 1.354.089 | 13,51 | 890.271 | 8,35 |
| Financial liabilities designated at fair value | 1.691.384 | 16,88 | 2.459.805 | 23,08 |
| Total | 10.021.784 | 100,00 | 10.657.566 | 100,00 |

CUSTOMER ACCOUNTS AND SECURITIES

(amounts in thousand of Euro)

| | 31.12.2012 | % | 31.12.2011 | % |
|--|-------------------|-------------|-------------------|---------------|
| Customer accounts | 7.401.748 | 0,07 | 7.237.177 | 81,93 |
| Securities in issue | 1.449.458 | 0,01 | 1.164.798 | 3,21 |
| Financial liabilities designated at fair value | 1.305.797 | 0,01 | 2.106.178 | 14,86 |
| Total | 10.157.003 | 0,10 | 10.508.153 | 100,00 |

CUSTOMER ACCOUNTS: BREAKDOWN

(amounts in thousand of Euro)

| | 31.12.2012 | % | 31.12.2011 | % |
|--|-------------------|---------------|-------------------|---------------|
| Current accounts and deposits | 6.781.418 | 91,62 | 6.833.290 | 94,42 |
| Time deposits | 393.540 | 5,32 | 35.668 | 0,49 |
| Financing: | 162.849 | 2,20 | 287.595 | 3,97 |
| <i>Repurchase agreements payable</i> | 61.979 | 0,84 | 183.769 | 2,54 |
| <i>Others</i> | 100.870 | 1,36 | 103.826 | 1,43 |
| Liabilities for commitments to repurchase own equity instruments | - | - | - | - |
| Other payables | 63.941 | 0,86 | 80.624 | 1,11 |
| Total | 7.401.748 | 100,00 | 7.237.177 | 100,00 |

AUDITORS

The accounts of Banca Antonveneta S.p.A. are audited by KPMG S.p.A., which has been engaged for each of the nine fiscal years ending on 31 December from 2009 through 2017.

SHARE CAPITAL

As at 31 December 2011, Banca Antonveneta S.p.A.'s share capital amounts to EUR 1,006,300,000 and is represented by 1,006,300,000 ordinary shares with a par value of EUR 1.00 each.

HEADCOUNT

| | 31.12.2012 | 31.12.2011 |
|---------------------|-------------------|-------------------|
| Number of employees | 3.060 | 3.148 |

EMPLOYEES

As at 30 June 2012 Banca Antonveneta's headcount totals 3,1498 employees, vs. 3,148 employees at the end of 2011. The number of employees includes secondments from other Group companies and is net of secondments to other Group companies.

FINACIAL STATEMENTS BALANCE SHEET

| | Assets (Amounts in Euro) | 31.12.2012 | 31.12.2011 |
|-----|-------------------------------------|-----------------------|-----------------------|
| 10 | Cash and cash equivalents | 110.009.988 | 87.150.242 |
| 20 | Financial assets held for trading | 172.190.663 | 168.810.871 |
| 40 | Available-for sale financial assets | 13.231.526 | 13.977.978 |
| 60 | Loans and advances to banks | 675.656.599 | 2.960.240.747 |
| 70 | Loans and advances to customers | 13.650.385.871 | 13.610.747.151 |
| 80 | Hedging derivatives | 5.025.802 | 4.533.204 |
| 100 | Equity investments | 116.265 | 116.265 |
| 110 | Tangible assets | 249.643.509 | 254.989.825 |
| 120 | Intangible assets | 63.909.594 | 190.205.115 |
| | <i>of which: goodwill</i> | - | 91.616.715 |
| 130 | Tax assets | 419.863.414 | 514.728.833 |
| | <i>a) curren</i> | 32.769.782 | 1.025.735 |
| | <i>b) deferred</i> | 387.093.632 | 513.703.098 |
| | <i>according Law 214/2011</i> | 298.691.917 | |
| 150 | Other assets | 283.815.869 | 211.417.921 |
| | Total assets | 15.643.849.100 | 18.016.918.152 |

| Liabilities and Shareholders' Equity (Amounts in Euro) | | 31.12.2012 | 31.12.2011 |
|---|---|-----------------------|-----------------------|
| 10 | Deposits from banks | 2.711.538.818 | 4.721.277.932 |
| 20 | Customer accounts | 7.401.747.994 | 7.237.177.238 |
| 30 | Securities in issue | 1.449.458.073 | 1.164.797.932 |
| 40 | Financial liabilities held for trading | 140.745.367 | 124.946.786 |
| 50 | Financial liabilities designated at fair value | 1.305.797.162 | 2.106.177.837 |
| 100 | Other liabilities | 549.282.986 | 427.301.185 |
| 110 | Staff severance provisions | 26.489.520 | 27.098.673 |
| 120 | Provisions for risk and charges: | 57.826.007 | 74.017.490 |
| | <i>a) pension fund and similar obligations</i> | - | - |
| | <i>b) other provisions</i> | 57.826.007 | 74.017.490 |
| 130 | Valuation reserves | 915.172 | 1.076.259 |
| 160 | Reserves | 86.897.532 | 259.862.857 |
| 170 | Share premium | 1.039.759.287 | 2.162.596.312 |
| 180 | Share capital | 1.006.300.000 | 1.006.300.000 |
| 200 | Profit (Loss) for the year (+/-) | (132.998.818) | (1.295.712.349) |
| | Total liabilities and shareholders' equity | 15.643.759.100 | 18.016.918.152 |

INCOME STATEMENT

(amounts in Euro)

| Items | 31.12.2011 | 31.12.2012 |
|--|------------------------|----------------------|
| 10 Interest and similar income | 545.527.438 | 495.621.096 |
| 20 Interest expense and similar charges | (205.271.967) | (193.583.848) |
| 30 Net Interest Income | 340.255.471 | 302.037.248 |
| 40 Commission income | 205.064.647 | 216.786.650 |
| 50 Commission expenses | (21.820.942) | (20.727.009) |
| 60 Net fees and commissions | 183.243.705 | 196.059.641 |
| 70 Dividends and similar income | 57.327 | - |
| 80 Net profit (loss) from trading | 2.842.950 | (7.129.015) |
| 90 Net profit (loss) from hedging | (642.045) | 643.365 |
| 100 Gains (losses) on disposal or repurchase of: | 1.376.503 | 207.818 |
| <i>b) available-for sale financial assets</i> | 1.348.494 | - |
| <i>d) financial liabilities</i> | 28.009 | 207.818 |
| 110 Net profit (loss) on financial assets and liabilities designated at fair value | 81.496 | 722.607 |
| 120 Total banking income | 527.215.407 | 492.541.664 |
| 130 Net losses/reversals on impairment of: | (80.017.223) | (204.372.051) |
| <i>a) loans</i> | (81.106.072) | 204.361.430 |
| <i>b) available-for sale financial assets</i> | - | (573.159) |
| <i>d) other financial transactions</i> | 1.088.849 | 562.538 |
| 140 Net income from banking activities | 447.198.184 | 288.169.613 |
| 150 Administrative expenses: | (307.792.648) | (303.497.894) |
| <i>a) personnel expenses</i> | (198.703.316) | (193.293.592) |
| <i>b) other administrative expenses</i> | (109.089.332) | (110.204.302) |
| 160 Net provisions for risks and charges | (8.283.082) | (13.001.073) |
| 170 Net impairment losses/reversals on property, plant and equipment | (10.104.498) | (9.648.236) |
| 180 Net impairment losses/reversals on intangible assets | (141.368.304) | (34.678.806) |
| 190 Other operating income (expense) | 22.803.349 | 30.725.968 |
| 200 Operating costs | (444.745.183) | (330.100.041) |
| 210 Gains (losses) on equity investments | - | - |
| 230 Impairment on goodwill | (1.291.301.861) | (91.616.715) |
| 240 Gains (losses) on disposals of investments | 32.620 | 8.260 |
| 250 Profit (loss) before tax from continuing operations | (1.288.816.240) | (133.538.883) |
| 260 Taxes on income from continuing operations | (6.896.109) | 540.065 |
| 270 Profit (loss) after tax from continuing operations | (1.295.712.349) | (132.998.818) |
| 290 Profit (loss) for the year | (1.295.712.349) | (132.998.818) |

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 Law. 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 €10,000.00 divided into quotas as described below. As at the date of this Prospectus, the quotaholders of the Guarantor are as follows:

| <u>Quotaholders</u> | <u>Quota</u> |
|--|----------------------------|
| SVM Securitisation Vehicles Management S.r.l. ⁵ | €1,000.00 (10% of capital) |
| BMPS | €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.

⁵ 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 | 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 Vittorio Alfieri, 1, 31015 Conegliano (TV), Italy.

Board of Statutory Auditors

Under the Quotaholders' Agreement the Guarantor Quotaholders have undertaken that, if, at any time, a Board of Statutory Auditors shall be appointed, it shall be composed of three members which shall appointed as follows: one by SVM Securitisation Vehicles Management S.r.l. and two by BMPS (designated one by BMPS and one by SVM Securitisation Vehicles Management S.r.l.). The chairman of the Board of Statutory Auditors shall be one the members appointed by BMPS.

Conflict of Interest

There are no potential conflicts of interest between any duties of the directors of the Guarantor and their private interests or other duties.

The Quotaholders' Agreement

Pursuant to the term of the Quotaholders' Agreement entered into on or about the date of this Prospectus, between BMPS, SVM Securitisation Vehicles Management S.r.l. and the Representative of the Bondholders, the Quotaholders have agreed, *inter alia*, not to amend the by-laws (*statuto*) of the Guarantor and not to pledge, charge or dispose of the quotas (save as set out below) of the Guarantor without the prior written consent of the Representative of the Bondholders. The Quotaholders' Agreement is governed by, and will be construed in accordance with, Italian law.

Please also see section "*Description of the Programme Documents - The Quotaholders' Agreement*" below.

Financial Statements

The financial year of the Guarantor ends on 31 December of each calendar year.

Mr. Alberto De Luca, enrolled under number 148374 in the register of statutory auditors (*Albo dei Revisori 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. 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 2015.

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 fourth financial year (31 December 2012).

The financial statement of the Guarantor for the year ended on 31 December 2012 (the end of its fourth financial year), as approved by the meeting of the quotaholders of the Guarantor on 29 April 2013, is incorporated by reference to this prospectus (see section headed "*Documents incorporated by reference*" above).

DESCRIPTION OF THE PROGRAMME DOCUMENTS

GUARANTEE

On 18 June 2010, the Guarantor and the Representative of the Bondholders entered into the Guarantee 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, the service of an Issuer Default 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 an Issuer Default 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, 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.

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 an Issuer Event of Default 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 Programme Maturity Date or the Extended Programme Maturity Date, as applicable, 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 on the date that matches the Maturity Date (or, as applicable, the Extended Maturity Date) of the Corresponding Series of Covered Bonds, 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-" by Fitch or "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, 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 on the date falling six months after the date that matches 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, in accordance with the relevant Priority of Payments, provided that if on any such dates the relevant Floating Interest Term Loan or Fixed Interest Term Loan has not been repaid in full, the provisions of the Subordinated Loan Agreement regulating the repayment of the Programme Term Loan shall apply in respect of any amount outstanding.

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 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 per cent threshold with

respect to the Top-Up Assets, 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;

- (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 an Issuer Default 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, in the third and in the fourth 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 and in the fourth 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 an Issuer Default 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 an Issuer Default 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 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.

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, 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, 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, subparagraph 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 *Issuer Default 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 an Issuer Default 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 extentions of the timinig 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;
- (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.

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 an Issuer Default 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 an Issuer Default 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 an Issuer Default 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 an Issuer Default 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 an Issuer Default 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 an Issuer Default 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 an Issuer Default Notice is delivered;

- (viii) the Principal Paying Agent has agreed, *inter alia*, that (A) prior to the delivery of an Issuer Default 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 an Issuer Default 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 an Issuer Default 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 an Issuer Default 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.

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 an Issuer Default 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 an Issuer Default 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 an Issuer Default Notice, the Subordinated Loan and, following an Issuer Default 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 an Issuer Default 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 supplemented on 17 June 2011. 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.

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 or about the date of this Prospectus 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 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 an Issuer Default 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 an Issuer Default 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 an Issuer Default 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.

Furthermore, in the 12 months period preceding the maturity date of any Series or Tranche of Hard Bullet Covered Bonds, the Issuer also in its capacity as Principal Seller and each Additional Seller(s) has undertaken to procure that the Pre-Maturity Test is met in order to ascertain that funds will be available for such Series or Tranche of Hard Bullet Covered Bonds to be redeemed on the relevant Maturity Date.

The Pre-Issuer Default Test Calculation Agent has agreed to prepare and deliver, on each Test Performance Report Date prior to the delivery of an Issuer Default 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 an Issuer Default 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**").

In the relevant Test Performance Report, the Pre-Issuer Default Test Calculation Agent shall specify which Test or Tests has/have been breached and will provide details with respect to the relevant calculations including, *inter alia*, (a) the qualitative and quantitative aspects of the shortfall in the Cover Pool that caused the relevant Test or Tests to be breached; and (b) the Portfolio (or Portfolios) of Assets with respect to which such shortfalls have occurred, identified on the basis of the relevant Seller who transferred such Assets to the Guarantor (any such Seller, a "**Relevant Seller**");

Each Seller has undertaken, to the extent it is identified as a Relevant Seller, to promptly deliver a written notice to the Guarantor, the Issuer and the other Seller(s) informing them of any circumstance which may prevent it from complying (in part or in full) with its obligation to transfer the required amount of Eligible Assets and/or Top Up Assets to the Guarantor (the "**Relevant Seller Notice**"). To the extent that the Relevant Seller deems that the circumstances above will only prevent it from transferring to the Guarantor a part of the Eligible Assets and/or Top Up Assets required, for the purpose of allowing the Issuer or, as appropriate, the other Seller(s) to determine the amount of Eligible Assets and Top Up Assets to be transferred to remedy the breach of the relevant Tests, the Relevant Seller Notice shall specify the amount of Eligible Assets and Top Up Assets that the Relevant Seller will not be able to transfer.

To the extent that, within 20 calendar days from the relevant Test Performance Report Date in which the breach of the Tests has occurred, the Issuer has received a Relevant Seller Notice from the Relevant Seller(s) or the Guarantor has not received an offer by the Relevant Seller in accordance with the relevant Master Assets Purchase Agreement in respect of such Eligible Assets and/or Top Up Assets to be transferred to remedy the Tests, the Issuer has undertaken to (a) transfer to the Guarantor Eligible Assets and/or Top Up Assets, in the

aggregate amount sufficient to ensure that, as of the Test Calculation Date falling at the end of the Test Grace Period, all Tests are satisfied with respect to the Cover Pool and (b) accordingly to promptly deliver a written notice, substantially in the form of the Relevant Seller Notice, to the Guarantor and the other Seller(s) informing them of any circumstance which may prevent it from complying (in part or in full) with its obligation to transfer the required amount of Eligible Assets and/or Top Up Assets to the Guarantor.

In case of determination by the Pre-Issuer Default Test Calculation Agent that a breach of any of the Mandatory Tests and/or the Asset Coverage Test has occurred, to the extent that, within 20 calendar days from the Test Performance Report Date on which a breach of a Test has been notified by the Pre-Issuer Default Test Calculation Agent (i) the Issuer has received a Relevant Seller Notice from the Relevant Seller(s); or (ii) the Guarantor has not received a contractual proposal by the Relevant Seller (either in the form of a Transfer Proposal under the Master Assets Purchase Agreement or a transfer offer pursuant to the Cover Pool Management Agreement) in respect of such Eligible Assets and/or Top-Up Assets to be transferred by it, the Issuer undertakes to transfer Eligible Assets and/or Top-Up Assets to the Guarantor, in the aggregate amount sufficient to ensure that, as of the Test Calculation Date falling at the end of the Test Grace Period or Test Remedy Period, as applicable, all the Mandatory Tests and the Asset Coverage Test are satisfied with respect to the Cover Pool.

In case of determination by the Pre-Issuer Default Test Calculation Agent, that a breach of any of the Mandatory Tests and/or the Asset Coverage Test has occurred, to the extent that, within 25 calendar days from the Test Performance Report Date in which a breach of a Test has been notified by the Calculation Agent (a) the Issuer has received a Relevant Seller Notice from the Relevant Seller(s); or (b) the Guarantor has not received a contractual proposal by the Relevant Seller (either in the form of a Transfer Proposal under the Master Assets Purchase Agreement or a transfer offer pursuant to the Cover Pool Management Agreement) in respect of such Eligible Assets and/or Top-Up Assets to be transferred by it; and (c) the other Seller(s) have received a Relevant Seller Notice from the Issuer; or (d) the Guarantor has not received a contractual proposal by the Issuer in respect of such Eligible Assets and/or Top-Up Assets to be transferred by it, the other Seller(s), jointly and severally, undertake to transfer to the Guarantor Eligible Assets and/or Top-Up Assets, in the aggregate amount sufficient to ensure that, as of the Calculation Date falling at the end of the Test Grace Period or Test Remedy Period, as applicable, all the Mandatory Tests and the Asset Coverage Test are satisfied with respect to the Cover Pool.

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.

After the service of an Issuer Default 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, upon instructions of a duly appointed Portfolio Manager and provided that the Representative of the Bondholders has been duly informed, sell the Eligible Assets and Top-Up Assets included in the Cover Pool in accordance with the Cover Pool Management Agreement, subject to the rights of pre-emption in favour of the Issuer (and any Additional Seller) to buy such Eligible Assets and Top-Up Assets pursuant to the Master

Assets Purchase Agreement. The relevant Eligible Assets and Top-Up Assets (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, provided that, prior to and following the sale of such Selected Assets, the Amortisation Test is complied with. 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.

Under the terms of the Cover Pool Management Agreement, the Guarantor shall ensure that the Selected Assets are sold at their best price which is at least:

- (a) the Euro Equivalent of the Principal Amount Outstanding in respect of the Earliest Maturing Covered Bonds, multiplied by $(1 + \text{Negative Carry Factor} \times (\text{days to maturity of the relevant Series or Tranche of Covered Bonds}/365))$ (the "**Required Redemption Amount**"); *minus*
- (b) amounts standing to the credit of the Programme Accounts as of the relevant Guarantor Calculation Date; *minus*
- (c) the EUR Equivalent of the principal amount of any Top-Up Assets and Eligible Investments as of the relevant Guarantor Calculation Date, *plus or minus*
- (d) as applicable, any swap termination amounts payable under the Swap Agreements to or by the Guarantor in respect of the relevant Series or Tranche of Covered Bonds,

excluding, with respect to items (b) and (c) above all amounts estimated to be applied on the next following Guarantor Payment Date to repay items ranking higher in the applicable Priority of Payments and those amounts that are required to repay any Series or Tranche of Covered Bonds which become due on the same date as the Earliest Maturing Covered Bonds providing that, prior to and following the sale of the Selected Assets, the Amortisation Test is complied with (the "**Selected Assets Required Amount**").

In any case, after the delivery of an Issuer Default Notice, if, according to the Portfolio Manager's evaluations, the market conditions provide with favourable commercial terms, the Portfolio Manager may sell additional Selected Assets being selected on a random basis to meet the obligations under the further Series providing that, prior to and following the sale of such additional Selected Assets, the Amortisation Test is complied with. Furthermore, if the Selected Assets have not been sold in an amount equal to the Selected Assets Required Amount by the date which is six months prior to, as applicable, the Maturity Date (if the relevant Series or Tranche of Covered Bonds is not subject to an Extended Maturity Date) or the Extended Maturity Date (if the relevant Series or Tranche of Covered Bonds is subject to an Extended Maturity Date) of the Earliest Maturing Covered Bonds, and the Guarantor does not have sufficient other funds standing to the credit of the Programme Accounts available to repay the Earliest Maturing Covered Bonds (after taking into account all payments, provisions and credits to be made in priority thereto), then the Guarantor will offer the Selected Assets (or a portion thereof) for sale for the best price reasonably available notwithstanding that such amount may be less than the Selected Assets Required Amount.

The Guarantor may offer for sale part of any portfolio of Selected Assets (a "**Partial Portfolio**"). Except in circumstances, the sale price of the Partial Portfolio (as a proportion of the Selected Assets Required Amount) shall be at least equal to the proportion that the Partial Portfolio bears to the relevant portfolio of Selected Assets.

With respect to any sale to be carried out in accordance with the Cover Pool Management Agreement, 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 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 any Principal Seller and any Additional Seller (if any) is buying the Selected Assets in accordance with its right of pre-emption under the Master Assets Purchase Agreement).

Following the delivery of a Breach of Tests Notice, but prior to the delivery of an Issuer Default 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**").

Under the Cover Pool Management Agreement, following the delivery by the Representative of the Bondholders of a Guarantor Default Notice, the Guarantor shall immediately sell all assets 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.

Under the Cover Pool Management Agreement, the parties have acknowledge that, prior to the occurrence of a Segregation Event, or if earlier, an Issuer Event of Default, 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, service by the Representative of the Bondholders on the Issuer and on the Guarantor of an Issuer Default 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 an Issuer Default 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 Pre-Maturity Test is intended to test the liquidity with respect to a Series or Tranche of Hard Bullet Covered Bonds to be redeemed within the 12 months preceding the relevant Maturity Date;
- 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 13.2 (*Issuer Event of Default*) following the delivery of an Issuer Default 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. In addition, 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 an Issuer Default Notice. If after the delivery of an Issuer Default Notice (provided that, should such Issuer Default Notice consists 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 an Issuer Default Notice or a Guarantor Default Notice, the Guarantor shall dispose of the assets included in the Cover Pool.

MANDATORY TESTS

The Mandatory Tests are intended to ensure that the Guarantor can meet its obligations under the Guarantee. In order to ensure that the Mandatory Tests provided for under article 3 of Decree No. 310 (the "**Mandatory Tests**") are satisfied and that the Cover Pool is at all times sufficient to repay the Covered Bonds, the Issuer (and each Additional Seller, if any) must always ensure that the three tests set out below are satisfied on each Test Calculation Date.

(A) *Nominal Value Test*

The Issuer (and the Additional Seller(s), if any) must ensure 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, 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 the Covered Bonds (or the Euro Equivalent, if applicable). The Nominal Value shall be calculated by applying the following formula:

$$A + B$$

where,

"A" is the Outstanding Principal Balance of each Eligible Assets 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); and

"B" is the aggregate amount of all Principal Available Funds cash standing on the Programme Accounts.

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 Issuer (and each Additional Seller, if any) must ensure, and the Pre-Issuer Default Test Calculation Agent shall verify, 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, 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 payments 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 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.

(C) ***Interest Coverage Test***

The Issuer (and each Additional Seller, if any) must ensure, and the Pre-Issuer Default Test Calculation Agent shall verify, 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, 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 all the costs borne by the Guarantor (including the payments of any nature expected 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 Terms and Conditions and the relevant Final Terms.

The Interest Coverage Test be met if:

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

where,

"A" is the interest component of (i) 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 and (ii) all amounts 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);

"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

The Issuer (and the Additional Seller(s), if any) have jointly and severally undertaken to ensure, that 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 an Issuer Default 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), on any Test Calculation Date, 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 the Covered Bonds (or the Euro Equivalent, if applicable).

The Adjusted Aggregate Asset Amount will be calculated by applying the following formula:

$$A-X+B+C-Z-Y-W$$

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" by Moody's, 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" and "P1" by Fitch or the Issuer's short term rating is at least "P-1" by Moody's, otherwise it is equal to the Potential Set-Off Amounts;

"**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" and "P1" by Fitch or the Issuer's short term rating is at least "P-1" by Moody's, otherwise it is equal to the Potential Commingling Amount.

For the purpose of the above definitions:

"**Potential Commingling Amount**" means an amount equal to the higher of (i) an amount deemed to be appropriate by the Rating Agencies and (ii) the Maximum Collections Amount.

For the avoidance of doubt, it is understood that, if upon a downgrading of the Issuer's short term rating or of the Issuer's short term rating assigned by Fitch below "F1" or by Moody's below "P-1" and the remedies provided for under Clause 5.2.1 of the Master Servicing Agreement has been put in place, the amount deemed to be appropriate by the Rating Agencies 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 has not been put in place than the Potential Commingling Amount shall be deducted from the Asset Coverage Test as being equal to the higher of (i) or (ii) above.

"**Maximum Collections Amount**" means, during the last four Collection Periods, an amount equal to the highest amount collected by the Principal Servicer from the Assets, with respect to one of the relevant Collection Periods, as indicated in the relevant Servicer's Reports divided by three.

"**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, and which in any case will never be lower than the Net Deposits. 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 assigned by Moody's falls below "P-1" by Moody's, by the Guarantor Calculation Agent on each Test Calculation Date and/or Guarantor Calculation

Date and/or on each other date on which the Asset Coverage Test is to be carried out pursuant to the provisions of the Cover Pool Management Agreement and the other Programme Documents, as the case may be.

"**Net Deposits**" means the amount to be notified from time to time by the Guarantor Calculation Agent to the Pre-Issuer Default Test Calculation Agent and the Rating Agencies, if and only when the Potential Set-Off Amounts needs to be calculated. For the avoidance of doubts, the Net Deposit shall be calculated net of all the amounts due by the relevant borrowers under the Mortgage Loans.

AMORTISATION TEST

Starting from the date on which an Issuer Default Notice is delivered and until the earlier of (i) 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 (ii) the date on which a Guarantor Default Notice is delivered, the Guarantor undertakes to procure that on any Test Calculation Date, provided that, in case the Issuer Event of Default consists of an Article 74 Event, no Article 74 Event Cure Notice has been served, 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) 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 Aggregate Asset Amount will be calculated by applying the following formula:

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

where,

"A" 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 80 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 60 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 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.

PRE-MATURITY TEST

In the 12 months period preceding the maturity date of the relevant Series or Tranche of Hard Bullet Covered Bonds the Pre-Maturity Test shall be met in order to ascertain that funds will be available for the relevant Series or Tranche of Hard Bullet Covered Bonds to be redeemed on the relevant Maturity Date.

The Issuer will fail and be in breach of the Pre-Maturity Test in relation to a Series or Tranche of Hard Bullet Covered Bonds if on each Pre-Maturity Test Date, the Issuer's short-

term credit rating falls below "P-1" (or lower) from Moody's or below "F1" (or lower) from Fitch (or such higher rating as is notified by the Issuer to, respectively, Moody's or Fitch and the Representative of the Bondholders from time to time) and the Final Maturity Date of the Series or Tranche of Hard Bullet Covered Bonds will fall within 12 months (or such longer period as is notified by the Issuer to Moody's and the Representative of the Bondholders from time to time) following the relevant Pre-Maturity Test Date.

If the Pre-Maturity Test is breached in respect of a Series or Tranche of Hard Bullet Covered Bonds 12 months prior to the Maturity Date of that Series or Tranche, the Pre-Issuer Default Test Calculation Agent will send a notice to the Issuer and the Guarantor. Following the delivery of such notice, the Issuer will be required to ensure within the earlier to occur of (i) 14 calendar days from the date that the Issuer is notified of the breach of the Pre-Maturity Test and (ii) the Maturity Date of the relevant Series or Tranche of Hard Bullet Covered Bonds that: (A) the Pre-Maturity Collateral Amount is accumulated in the Pre-Maturity Account, or, alternatively, (B) a guarantee is provided in respect of the payment of the Final Redemption Amount on the relevant Maturity Date for that Series or Tranche of Hard Bullet Covered Bonds by a guarantor whose senior, unsecured ratings are at least equal to "P-1" by Moody's and "F1+" by Fitch.

If any of the actions under (A) and (B) above is not taken, in order to ensure compliance with or cure a breach of the Pre-Maturity Test under above, the Guarantor shall, within the same period set out under item (i) and (ii) of the paragraph above, among others:

- (a) offer to sell Selected Assets in accordance with the Cover Pool Management Agreement, subject to any right of pre-emption in favour of the Issuer or any Additional Seller (as the case may be) in respect of any such Selected Assets pursuant to the Master Assets Purchase Agreement; or
- (b) purchase Eligible Assets or Top-Up Assets from the Principal Seller or any Additional Seller(s). Such purchase will be financed through advances granted by the Principal Seller or any Additional Seller(s), as the case may be, under the Subordinated Loan and/or prior to the delivery of a Breach of Test notice, the Guarantor Available Funds available for such purpose in accordance with the Pre-Issuer Default Principal Priority of Payments.

The method for selling Selected Assets and their Related Security is described in the Cover Pool Management Agreement. The proceeds of sale of Selected Assets and/or the proceeds of any contribution in cash by the Issuer, will be credited into the Pre-Maturity Account.

Failure by the Issuer to pay the full amount due in respect of a Series or Tranche of Hard Bullet Covered Bonds on the Final Maturity Date thereof will constitute an Issuer Event of Default. Following service of an Issuer Default Notice, the Guarantor shall apply funds standing to the Pre-Maturity Account to repay the relevant Series or Tranche of Hard Bullet Covered Bonds in accordance with the Guarantee Priority of Payments.

If the Issuer fully repays the relevant Series or Tranche of Hard Bullet Covered Bonds on the relevant Final Maturity Date, cash standing to the credit of the Pre-Maturity Account shall be applied by the Guarantor in accordance with the Pre-Issuer Default Priority of Payments, unless: (a) the Issuer is failing the Pre-Maturity Test in respect of any other Series or Tranche of Hard Bullet Covered Bonds, in which case the cash will remain on the Pre-Maturity Account in order to provide liquidity for that other Series or Tranche of Hard Bullet Covered

Bonds; or (b) the Issuer is not failing the Pre-Maturity Test, but the Issuer resolves to retain the cash on the Pre-Maturity Account in order to provide liquidity for any future Series or Tranche of Hard Bullet Covered Bonds.

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.

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 an Issuer Default Notice.

If, after the delivery of an Issuer Default 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 an Issuer Default 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, to the extent that the Guarantor Available Funds are not sufficient to make such payments on such Payments Date.

CASHFLOWS

As described above under "*Credit Structure*", until an Issuer Default 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 an Issuer Default 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 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 an Issuer Default 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) to pay 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) to pay 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) to pay, 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 Series or Tranche of Covered Bonds *pari passu* and *pro rata* in respect of each 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; and (b) in or towards payment, on each Guarantor Payment Date (where appropriate, after taking into account any amounts in respect of principal to be received from an Covered Bond Swap Provider) of principal amounts that is are due and payable on such Guarantor Payment Date (or that will become due and payable during the immediately succeeding Guarantor Payment Date) under the Guarantee in respect of each Series or Tranche of Covered Bonds, *pro rata* and *pari passu* in respect of each 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 Payment

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 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*".

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.

"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 of which 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's 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's 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's 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's 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:

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's 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.

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 an Issuer Default Notice and after the delivery of an Issuer Default 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
- the Bank of Italy's official supervisory regulations issued on 17 May 2007, as subsequently amended on 24 March 2010, with respect to the issue of covered bonds (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.

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 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).

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 regulatory capital of at least €500,000,000; 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 total capital ratio and tier 1 ratio of the individual bank (or of the relevant banking group, if applicable) as follows:

| | Ratios | Transfer Limitations |
|-----------|--|---|
| "A" range | - Total capital ratio \geq 11% Tier 1 ratio \geq 7% | No limitation |
| "B" range | - Total capital ratio \geq 10% and < 11% - Tier 1 ratio \geq 6.5% | Up to 60% of eligible assets may be transferred |

| | | |
|-----------|--|---|
| "C" range | - Total capital ratio $\geq 9\%$ and $< 10\%$ - 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 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 Decree No. 310 and the Bank of Italy Instructions, however, provide that the assets described in the last two paragraphs above, 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.

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.

Proposed Mortgage Credit Directive

On 31 March 2011, the European Commission published a proposal for a directive on credit agreements relating to residential immovable property for consumers. The proposed directive applies to (a) credit agreements secured by a mortgage or comparable security commonly used in a Member State on residential immovable property, or secured by a right relating to residential immovable property, (b) credit agreements the purpose of which is to purchase or retain rights in land or in an existing or proposed residential building; and (c) credit agreements the purpose of which is to renovate residential immovable property and which are outside Directive 2008/84/EC (Consumer Credit Directive). The proposed directive does not apply to credit agreements to be repaid from the sale proceeds on an immovable property or to certain credit granted by an employer to its employee.

The proposed directive requires (among other things): standard information advertising; standard pre-contractual information; adequate explanations to the borrower on the proposed credit agreement and any ancillary service; calculation on the annual percentage rate of charge in accordance with a prescribed formula; assessment of creditworthiness of the borrower; and a right of the borrower to make early repayment of the credit agreement. The proposed directive also imposes prudential and supervisory requirements for credit intermediaries and non-bank lenders.

The plenary session of the European Parliament on 10 September 2013 decided not to adopt a legislative resolution and to postpone it under rule 57(2). The matter was thus deemed to be referred back to the Committee responsible for reconsideration.

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.

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**")

Italian resident Covered Bondholders

Where an Italian resident Covered Bondholders is:

- (b) 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);
- (c) a non-commercial partnership;
- (d) a non-commercial private or public institution; or
- (e) an investor exempt from Italian corporate income taxation,

Interest 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 20 per cent. 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.

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 20 per cent. substitute tax levied as provisional tax.

Italian real estate funds created under Article 37 of the Financial Laws Consolidation Act and Article 14 *bis* of Italian Law No. 86 of 25 January 1994, are not subject to any substitute tax at the fund level nor to any other income tax in the hands of the fund.

If the investor is resident in Italy and is an open-ended or closed-ended investment fund (the "**Fund**") or a SICAV, and the 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 accrued at the end of each tax period. The Fund or SICAV will not be subject to taxation on such result, but withholding tax of 20 per cent. will apply, in certain circumstances, to distributions made in favour of unitholders or shareholders.

Where an Italian resident Covered Bondholders is a pension fund (subject to the regime provided for by article 17 of the Italian Legislative Decree No. 252 of 5 December 2005) and the Covered Bonds are deposited with an authorised intermediary, Interest relating to the Covered Bonds and accrued during the holding period will not be subject to *imposta sostitutiva*, but must be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to an 11 per cent. substitute tax.

Pursuant to Decree 239, *imposta sostitutiva* is applied by banks, 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, an exemption from the *imposta sostitutiva* applies 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 Italian Presidential Decree of 22 December 1996, 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 Italian Presidential Decree of 22 December 1986, 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 gross payment, non-Italian resident Covered Bondholders 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 statement of the relevant Covered Bondholder, 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.

The *imposta sostitutiva* will be applicable at the rate of 20 per cent. to Interest paid to Covered Bondholders who do not qualify for the exemption.

Covered Bondholders who are subject to the substitute tax might, nevertheless, be eligible for a total or partial relief under an applicable tax treaty.

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 20 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 20 per cent. if the payment is made to non-Italian resident Bondholders. Double taxation treaties entered into by 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 debentures similar to bonds (*titoli similari alle obbligazioni*) may be subject to a withholding tax, levied at the rate of 20 per cent. For this purpose, debentures 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 20 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 an Italian resident Covered Bondholder is an individual not engaged in an entrepreneurial activity to which the Covered Bonds are connected, 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 20 per cent. Covered Bondholders may set off any losses with their gains. Capital losses realised before 1 January 2012 may be carried forward to be offset against subsequent capital gains realised from 1 January 2012 for an overall amount of 62.5 per cent. of the relevant capital losses.

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. 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.
- (b) As an alternative to the tax declaration regime, Italian resident individual Covered Bondholders holding the Covered Bonds not in connection with an entrepreneurial activity may elect to pay the *imposta sostitutiva* separately on capital gains realised on each sale or redemption of the Covered Bonds (the *risparmio amministrato* regime). 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 *risparmio amministrato* regime, where a sale or redemption of the Covered Bonds results in a capital loss, which may be deducted from capital gains subsequently realised, within the same securities management, in the same tax year or in the following tax years up to the fourth. Under the *risparmio amministrato* regime, the Covered Bondholders is not required to declare the capital gains in the annual tax return.

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 20 per cent. substitute tax, to be paid by the managing authorised intermediary. Any depreciation of the managed assets accrued at the year end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. The Covered Bondholders are not required to declare the capital gains realised in the annual tax return.

Any capital gains realised by a Covered Bondholder who is an Italian Fund or a SICAV will be included in the result of the relevant portfolio accrued at the end of the tax period. A 20 per cent. withholding tax will apply in certain circumstances, to distributions by the fund or SICAV to unitholders or shareholders.

Any capital gains realised by a Covered Bondholder who is an Italian pension fund (subject to the regime provided for by article 17 of the Italian Legislative Decree No. 252 of 5 December 2005) will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to an 11 per cent. substitute tax.

Capital gains realised by non-Italian resident Covered Bondholders from 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 from 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 effective beneficiary is:

- (a) resident in White List States as defined above;
- (b) an international entity or body set up in accordance with international agreements which have entered into force in Italy;
- (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 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 20 per cent. However, Covered Bondholders may benefit from an applicable tax treaty with 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.

Transfer tax

Contracts relating to the transfer of securities are subject to a Euro 168 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

According to Article 19 of Decree 6 December 2011, No. 201 ("Decree No. 201/2011", converted into law by Law of 22 December 2011, No. 214), a proportional stamp duty applies on a yearly basis to the periodic reporting communications sent by Italian financial intermediaries to their clients; this stamp duty applies at the rate of 0.15 per cent on the market value or – in the lack of a market value – on the nominal value or the redemption amount of any financial product. The stamp duty cannot be lower than Euro 34.20 and, for Covered Bondholders which are not individuals, it cannot exceed the amount of Euro 4,500. The newly introduced proportional stamp duty will apply on the Covered Bonds to the extent that the Covered Bonds are held with an Italian based financial intermediary.

Wealth tax on financial assets deposited abroad

According to Article 19 of Decree No. 201/2011, Italian resident individuals holding financial assets – including the Covered Bonds – outside of the Italian territory are required to pay a wealth tax at the rate of 0.15 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 of such financial assets held outside of the Italian territory.

EU Savings Directive

Under the EU Savings Directive, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income (within the meaning of the EU Savings Directive) paid by a person within its jurisdiction to, or collected by such a person for an individual resident or certain limited types of entity established in that other Member State; however, for a transitional period, Austria and Luxembourg are required to apply an optional information reporting system, whereby if a beneficial owner (within the meaning of the EU Savings Directive) does not comply with one of two procedures for information reporting, the relevant Member State will levy a withholding tax on payments to such beneficial owner. The withholding tax system applies

for a transitional period during which the withholding tax rate is equal to 35 per cent. 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.

Also a number of non-EU countries, including Switzerland and certain dependent or associated territories of certain Member States, have agreed to adopt similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person 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 13 November 2008, the European Commission published a proposal for amendments to the EU Savings Directive, which included a number of suggested changes. The European Parliament approved an amended version of this proposal on 24 April 2009. If any of those proposed changes are made in relation to EU Savings Directive, they may amend or broaden the scope of the requirements described above. 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 general description 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, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant 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 100 offers*: at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 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 (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in the Relevant Member State and the expressions "**2010 PD Amending Directive**" means Directive 2010/73/EU.

Selling Restrictions addressing Additional United Kingdom Securities Laws

Each Dealer represents and agrees 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
- (i) (ii) 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, or for the benefit of, any Resident of Japan or to others for re-offering or resale, directly or indirectly, in Japan or to 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; (ii) a certificate of approval attesting that this Prospectus has been drawn up in accordance with the Prospectus Directive; and (iii) if so required by the competent authority of such Member State, a translation into the official language(s) of such Member State of a summary of this Prospectus.

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 5 (*Legal risks*) and paragraph 6 (*Tax litigation*) 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 30 June 2013 there has been no significant change in the financial or trading position of the Issuer and of Montepaschi Group and since 31 December 2012 there has been no material adverse change in the prospects of, respectively, the Issuer and the Guarantor. Since 31 December 2012 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 2011 and 31 December 2012;
- (c) the unaudited semiannual consolidated financial statement of the Issuer as at 30 June 2013;
- (d) the unaudited quarterly consolidated financial report of the Issuer as at and for the period ended 30 September 2013;
- (e) the financial statements of the Guarantor as at and for the years ended 31 December 2011 and 31 December 2012;
- (f) the auditors' reports for the Issuer for the financial year ended 31 December 2011 and for the year ended 31 December 2012;
- (g) the auditors' reports for the Guarantor for the financial year ended 31 December 2011 and for the year ended 31 December 2012;
- (h) a copy of this Prospectus;
- (i) 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;
- (j) each of the following documents (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;
- 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 2011 and for the year ended 31 December 2012.

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 audited and rendered unqualified audit report on the financial statements of the Guarantor for the financial year ended 31 December 2011 and for the year ended 31 December 2012.

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

"**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.

"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 issued by the Bank of Italy on 17 May 2007 as supplemented on 24 March 2010 with respect to article 7-*bis* of Law 130, as subsequently amended and supplemented.

"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.

"BAV Collection Account" means the account denominated in Euro number 000001270704 (IBAN: IT 47 H 05040 61621 000001270704) opened by BAV in the name of the Guarantor and held by the Italian Account Bank for the deposit of the collections of the Portfolios transferred by such bank to the Guarantor in its capacity as Additional Seller.

"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, Siena, 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 Period**" means the period from one Guarantor Calculation Date (included) to the next Guarantor Calculation Date (excluded).

"**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.

"**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.

"**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 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.

"**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) dated on or about 18 June 2010 and from time to time thereafter between the Guarantor and a Covered Bond Swap Provider.

"**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.

"**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 an Issuer Default Notice after the occurrence of a Issuer Event 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; 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 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 are rated 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, (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), 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 and "Aa3" and "P-1" by Moody's (or, in the case of investments with a maturity longer than six months "Aaa" and "P-1" by Moody's, and, in the case of investments with a maturity longer than 365 days, "AAA" by Fitch);

- (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 and "A2" and "P-1" by Moody's;
- (iii) any security rated at least (A) "P-1" by Moody's and "A" and "F1" by Fitch, if the relevant maturity is up to 30 calendar days, (B) "P-1" by Moody's and "AA-" or "F1+" by Fitch, if the relevant maturity is up to 365 calendar days (C) "Aaa" by Moody's and "AAA" by Fitch, if the relevant maturity is greater than 365 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 and "Aa3" and "P-1" by Moody's and a maturity of not more than 180 days from their date of issuance; (2) off-shore money market funds rated, at all times, "AAA/V-1" by Fitch and "Aaa/MR1+" by Moody's; 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, 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.

"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 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.

"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 the 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 Programme Maturity Date**" means the date falling one year after the Programme Maturity Date.

"**Extended Maturity Date**" means the date when final redemption payments in relation to a specific Series or Tranche of Covered Bonds (different from any Hard Bullet Covered Bonds) become due and payable pursuant to the extension of the relevant Maturity Date.

"**Extension Determination Date**" means, with respect to each Series or Tranche of Covered Bonds, the date falling 4 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 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.

"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.

"Guaranteed Amounts" means the amounts due from time to time by the Issuer to Bondholders with respect to each Series or Tranche of Covered Bonds.

"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 and the Pre-Maturity Account.

"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, provided that the first Guarantor Payment Date falls the 27th of September 2010; 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.

"Hard Bullet Covered Bond" means a Covered Bond which will be redeemed in full on the relevant Maturity Date without any provision for scheduled redemption other than on the Maturity Date and in relation to which no Extended Maturity Date provisions shall apply.

"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.

"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.

"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.

"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 an Issuer Default 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 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.

"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 the Issuer and the Guarantor upon occurrence of an Issuer Event 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, MPS Capital Services Banca per l'Impresa S.p.A. 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.

"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.

"**Master Definitions Agreement**" means the master definitions agreement entered into on or about 18 June 2010 between the parties of the Programme Documents.

"**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.

"**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.

"**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.

"**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., a company incorporated under the laws of Italy as a joint stock company (*società per azioni*), having its registered office at Piazza degli Affari, 6 – 20123 Milano, Italy, fiscal code and enrolment with the companies register of Milano number 03638780159.

"**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.

"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.

"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-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 an Issuer Default 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 Test Performance Report" means, on each Test Calculation Date and Quarterly Test Calculation Date prior to the service of an Issuer Default 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-Maturity Account" means the account opened, if required, to hold amounts aimed at providing compliance with the Pre-Maturity Test.

"Pre-Maturity Collateral Amount" means, at any given date, an amount equal to the Final Redemption Amount in respect of a Series or Tranche of Hard Bullet Covered Bonds plus any amount payable by the Guarantor in priority thereto in accordance with the Guarantee Priority of Payments.

"Pre-Maturity Test" has the meaning as indicated in article 8 of the Cover Pool Management Agreement.

"Pre-Maturity Test Date" means each Business Day prior to the occurrence of an Issuer Event of Default or, if earlier, the occurrence of a Guarantor Event of Default on which the Guarantor Calculation Agent will determine if the Pre-Maturity Test has been breached in respect of any Series or Tranche of Hard Bullet Covered Bonds.

"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 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 Terms and Conditions and 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.

"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 Maturity Date" means the date following 10 years after the date of the Prospectus.

"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.

"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; and (c) in the case of the first Collection Period, the period commencing on (but excluding) the Valuation Date and ending on (but excluding) the Collection Date falling in September 2010.

"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 and Moody's.

"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 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.

"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 the Euro Equivalent of the Principal Amount Outstanding in respect of the Earliest Maturing Covered Bonds, multiplied by $(1 + \text{Negative Carry Factor} \times (\text{days to maturity of the relevant Series or Tranche of Covered Bonds} / 365))$.

"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

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 three 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 three 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 and for which the hardening period with respect to the perfection of the relevant mortgage has elapsed.

"**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.

"**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.

"**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 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.

"**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 be appointed in the event of a Servicer Termination Event pursuant to clause 11.6 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 falling on the 12th Business Day of each month and, following the occurrence of a Breach of Test the date falling on the 20th calendar day of each month.

"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 immediately following Test Performance Report Date.

"Tests" means, as appropriate, the Mandatory Tests, the Asset Coverage Test, the Amortisation Test and the Pre-Maturity 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.

ISSUER

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

Piazza Salimbeni, 3
53100, Siena
Italy

GUARANTOR

MPS Covered Bond S.r.l.

Via Vittorio Alfieri, 1
Conegliano, Treviso
Italy

JOINT-ARRANGERS AND DEALERS FOR THE PROGRAMME

**Morgan Stanley & Co.
International plc**
25 Cabot Square, Canary Wharf
London E14 4QA
United Kingdom

**REPRESENTATIVE OF THE
BONDHOLDERS**

**MPS Capital Services Banca per
l'Impresa S.p.A.**
Via Pancaldo, 4
50127 Firenze
Italy

**PRINCIPAL PAYING AGENT
AND ITALIAN BACK-UP
ACCOUNT BANK**

The Royal Bank of Scotland plc
135 Bishopsgate
London EC2M 3UR
United Kingdom

**ENGLISH BACK-UP
ACCOUNT BANK**

**BNY Mellon Corporate Trustee
Services Limited**
One Canada Square - London E14
5AL
United Kingdom

**The Bank of New York Mellon
(Luxembourg) S.A., Italian
Branch**
Via Carducci 31
20123 Milan
Italy

**The Bank of New York Mellon
S.A./N.V., London Branch**
160 Queen Victoria Street,
London EC4V 4LA,
United Kingdom

LEGAL AND TAX ADVISERS

TO THE JOINT-ARRANGERS AND DEALERS FOR THE PROGRAMME

as to Italian and English law and Tax

Studio Legale Associato in associazione con Clifford Chance

Piazzetta M. Bossi, 3
20121 Milan
Italy

TO THE ISSUER

as to Italian and English law and Tax

Studio Legale Associato in associazione con Clifford Chance

Piazzetta M. Bossi, 3
20121 Milan
Italy